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Overview

The National Economic Dialogue (NED) 2017 took place on June 28 and 29. This was the third year that the event was run and the same format as before was used, namely, a combination of plenary and breakout sessions. As with previous years, the engagement with the event by the various parties – representative bodies, members of the Oireachtas, Ministers and others - was impressive. Speaking slots at the plenary sessions are limited to two or three minutes in duration so interventions must be succinct. Within this constraint, contributors generally achieved the goal of communicating their core concerns and views on the economic and social challenges facing Ireland.

Across the two days, the sum of all the interventions at the plenary sessions provided a comprehensive overview of the issues. Through the discussions at the breakout sessions, more detailed explorations of the key areas were possible and the feedback to the plenary by the rapporteurs worked well again this year in informing all about the issues raised in the breakouts. By the end of the two days the issues had been extensively examined, with the wide range of budgetary choices and challenges facing the government becoming clear.

While the format was the same as in previous years, my impression as Chair is that the event has now begun to take on an identity and a character that may not have been present in 2015 or 2016. While I was invited to appear on RTE’s Morning Ireland just before the Dialogue opened on June 28 to explain the nature of the event, the media generally seemed to have a greater awareness of the objectives of the NED. At the event itself, contributors seemed to have a clearer sense of the time limits on their interventions and hence seemed to have prepared their remarks to maximise their impact.

Minister Donohoe made an intervention which was particularly important in the context of defining the purpose and potential value of the NED. He stressed how the discussion at last year’s event had influenced decisions in the Budget and used the childcare package in Budget 2017 as an illustration of the point. This point, along with the Minister’s presence and attention throughout the event, provided a clear sense of purpose.
Issues discussed

Following the opening remarks from the Taoiseach the plenary heard two presentations, one on the macroeconomic outlook and one on international comparisons of levels of socioeconomic development as measured by a “social progress index”. The latter presentation suggested that Ireland ranked highly relative to many countries in terms of social progress and this provided a context for many of the interventions that followed. Specifically, a number of delegates appeared to question the positive picture that emerged from the presentation and went on to list the areas in which social progress in Ireland was seen by them as lagging behind.

A range of specific issues were raised by delegates. Referring back to the disputed presentation, the apparent weaknesses in the health system were mentioned, as were weaknesses in respect of disability-related services. While it was conceded that progress had been made in the provision of childcare, there were also calls for more progress with similar themes to previous years emerging, such as the role of childcare in improving educational outcomes for children and in facilitating higher labour force participation among women. An additional issue raised this year was the apparent low pay and poor conditions of childcare workers. Calls were also made for increased spending in education, with the emphasis varying across economic and social rationales. Some delegates approached the education issue from a labour productivity perspective while others talked in terms of social objectives such as equality.

In the NEDs of 2015 and 2016 calls for increased capital expenditure were possibly more to the fore than calls for increases in current expenditure. This year the balance was certainly present again and may have even strengthened. One reason for this was the sense that the housing crisis had deepened since last year. There were general calls for policies that would stimulate housing supply with some delegates urging a direct approach in the form of increased social housing, possibly with an increased role for the local authorities. In addition to a discussion about increasing housing supply, there was also a discussion about housing affordability, including rent. While delegates would generally accept that the various strands of the housing issue are all interlinked – housing supply, house prices, rents, homelessness etc. – the time-limited nature of the interventions meant that delegates tended to focus on one dimension when commenting. However, the need to increase supply was implicit or explicit in all housing-related interventions.

The cases for increased capital investment in areas such as rural broadband, health and education were also made, as was the case in previous years. However, there was more emphasis this year on the need to situate capital investment in a rational and strategic framework. The National Planning Framework, which is being developed by the Department of Housing, Planning, Community and Local Government, was continually mentioned as the appropriate framework. There was an understanding that public capital investment, which had been low over the crisis years, is being increased and will increase further in the coming
years. This presents a real opportunity to boost the productive capacity of the economy and to improve the lives of people through improvements in areas such as transport, healthcare and education. However, there is also a risk that we will miss out on the opportunity of making real gains if public capital expenditure is undertaken in a fragmented or disjointed way, possibly in response to locally-based political pressures. The need for a robust and rational planning framework was argued for along with the need for policy to be implemented in strict accordance with the framework.

Just as the concept of a planning framework received more attention this year, the issue of climate change was also more prominent. As with issues such as health and education, different groups talked about climate change from different perspectives but with the same conclusion – this is an important and challenging issue which will have to feature more prominently in our deliberations in the near future. For all delegates, the negative consequences of climate change motivated their thinking. However, some also mentioned the potential fines that Ireland faces for non-compliance with our international obligations and demonstrated how the scale of the fines would be significant.

There were a number of noteworthy contributions on the issue of climate change but I will only mention two additional points. First, Ministers Donohoe and Naughten made interventions which pointed to the fact that actions across much of government and much of society will be needed if we are to succeed in reducing greenhouse gas emissions to the targeted levels. Second, Deputy Eamon Ryan stressed the potential economic gains if Ireland can position itself to be a leader in green technologies.

The discussion on taxation produced fewer strands of agreement compared to the discussion on spending and diametrically opposed views were expressed on some taxation issues. Some delegates saw scope for increasing marginal tax rates for higher earners; others saw this as a potential policy error in the context of a global competition for skilled people. Turning to a very specific issue, an argument was made for the retention of the reduced rate of VAT for the tourism sector, partly in effort to assist the sector in the context of Brexit. However, there was a call for this measure to be abolished on the basis of high occupancy rates in hotels in parts of the country and opportunity cost of the revenue foregone.

There was some agreement on two taxation-related issues, or at least an absence of significant dispute. First, environmental taxes were seen as possibly playing a dual role of raising revenue and providing incentives for positive environmental behaviours. Second, there was agreement that the tax base needed to be broadened. However, agreement on this latter point broke down once the discussion moved on to the ways of broadening the tax base.

The final issue which I will mention here is the discussion on rural affairs. It was argued last year that rural areas were lagging behind the greater Dublin area and one of the possible responses that featured was the need to invest in rural broadband. This policy response was present in the discussion this year also but the potential impact of Brexit on rural areas was a
more defining feature of the debate in 2017. Our collective understanding of what Brexit might mean has been developed over the last year and there is now a general understanding that rural Ireland is more vulnerable, due in part to the exposure of the agri-food sector. The Brexit-related issues formed a backdrop to the discussion on rural affairs and prompted discussion on, for example, the cost of credit and access to finance for SMEs in rural areas.

Overall reflections

Once again, the National Economic Dialogue has worked well as a forum to provide a thorough and comprehensive overview of the policy positions of the representative bodies, along with the views of the Oireachtas members present and the Government. One clear sense that emerges is that the demands on the Government in terms of spending proposals vastly exceed the apparent appetite for matching tax increases. While some groups that are represented balance their own spending and taxation proposals, the spending proposals aggregated across delegates exceed the corresponding tax proposals. Hence, the challenge facing the government in framing Budget 2018 will be acute.

I have made this point in respect of previous NEDs and I would guess that the same point will arise next year. This leads to the question of whether a future discussion might begin with the question of where we think Ireland should situate itself in terms of tax and public spending as a share of GDP (or GNP). In the same way that the estimate of the fiscal space played some role in anchoring discussions in previous years, it might be helpful to have a conversation about our collective vision for the scope of the state in terms of aggregate tax collection and public spending. The NED has now shown itself to be a useful forum for discussion and challenging the dialogue in this way might yield further interesting and informative discussion.

As a final point, I would add an observation on the relative under-emphasis of macroeconomic risks. While it was true that Brexit was mentioned often, this tended to be with respect to specific sectors and not from a broader macroeconomic perspective. The potential impacts of the Trump Administration on trade and foreign direct investment were generally absent from the discussion and this seemed in contrast to the situation around the time of Trump’s election and inauguration.
Appendix- Rapporteur Reports from the Breakout Sessions
Breakout Session 1

“Budgeting for a Changing Ireland”

**Chair:** Minister for Finance and Public Expenditure and Reform, Paschal Donohoe T.D.

**Rapporteur:** Dr. Edgar Morgenroth

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

**Summary:**
There was agreement that there should be a long-term view on taxes and expenditures and that hard choices would have to be made.

Following a short discussion the session decided to focus on two areas:

1. The alignment of the Capital Plan with the National Planning Framework;
2. The structure of the tax code – fairness and competitiveness.

In relation to the first issue a number of points of agreement emerged from the discussion including:

- the importance of aligning the Capital Programme with the National Planning Framework (NPF) in terms of detailed project selection;
- the need for solid evidence on the investment needs and comparative infrastructure stocks;
- a need for a mature debate about how to pay for water and wastewater infrastructure.

With respect to the fairness and competitiveness and the structure of the tax code there was agreement that:

- fairness is difficult to define, and hence the discussion did not focus significantly on trying to determine what was fair;
- the tax system needs to support both sustainability and competitiveness;
- the tax base needs to be broadened;
- a ‘social contract’ could help in getting buy in for difficult choices.
Introduction

The session started with a discussion of the six questions set out in the breakout session paper. This yielded agreement that there should be a long-term view on taxes and expenditures and that hard choices would have to be made. Furthermore, it was agreed to concentrate on two questions set out in the breakout session paper:

1. The alignment of the Capital Plan with the National Planning Framework;
2. The structure of the tax code – fairness and competitiveness.

Alignment of the Capital Plan and the National Planning Framework

There was agreement on the need to align the Capital Programme and the National Planning Framework, and the Minister confirmed that the government intends to ensure that this happens. In this context a number of contributors referred to the regional imbalances, the dominance and importance of Dublin as well as the size of second tier cities. There was agreement that investment prioritisation needs to explicitly take account of spatial objectives.

There was some discussion about the existence and size of the infrastructure deficit. While some contributors argued that Ireland ranks very low in terms of infrastructure investment others pointed to the fact that over the longer-term Ireland had above average infrastructure investment, but that there might be issues around value for money. It was also noted that infrastructure is a broad term and that it is important to identify investment needs by type of infrastructure. It was also pointed out that more capacity is not always good – the key issue is whether the infrastructure is needed. It is also important to think of wider public investment including R&D. There was also some reference to making better use of existing infrastructures.

A number of participants stressed the importance of process and institutions in identifying public investment needs and in selecting projects. In this context it was noted that the Minister for Finance and Public Expenditure and Reform has asked the IMF to conduct a Public Investment Management Assessment (PIMA), which will evaluate the strength of the public investment management practices in Ireland. One contributor suggested that a national infrastructure body such as Infrastructure UK could help in decision making. The need to have a system that is responsive to changed circumstance, such as the impact of Brexit, was also stressed by one contributor. The need for evidence, including unredacted reports on cost-benefit analysis in decision making was also noted by a number of contributors.

There was a short discussion about the constraints imposed by the fiscal rules and level of debt that Ireland should aim for. A point was made that it is imperative to avoid the sort of boom-bust cycle that Ireland experienced recently, and that this means avoiding overheating
the economy, which implies that capital expenditure should be kept at a steady level. The fact that the economy was close to potential output was noted in this context. The issue of financing investment, including the role of PPPs was mentioned by a number of contributors, and there was general agreement that a mature debate about how to pay for water and wastewater infrastructure is needed.

The structure of the tax code – fairness and competitiveness

Following a short discussion it was agreed that fairness was difficult to get agreement on as participants were likely to have very different ideas about what is fair. Instead much of the discussion focused on sustainability and competitiveness.

In relation to sustainability the need to more fully apply the polluter pays principle through the fiscal system was proposed by a number of participants. It was noted that taxes change behaviour, and that previously introduced measures such as the plastic bag levy had been effective at achieving environmental improvements through the fiscal system. Changes to the fiscal system might encompass some changes to existing taxes and the introduction of some new ones.

A number of participants stressed the importance of having a business supportive tax system, particularly for indigenous enterprises, and in this respect a number of participants suggested changes to the capital gains tax.

Income tax is now more important due to greater international labour mobility, and it was noted that the high marginal income tax in Ireland may deter high skilled individuals from migrating to Ireland. There was some discussion about the income taxation of those on low incomes.

There was broad agreement that the tax base needs to be broadened. The Minister asked contributors to identify areas for tax increases/broadening. One contributor noted that there was some reluctance to agree to any removal of tax expenditures unless similar tax expenditures affecting other sectors were not simultaneously removed. Nevertheless a range of suggestions were made although some contributors emphasised that their choices were personal rather than reflecting the policies of their respective organisations, and there was not necessarily agreement among all participants on these measures.
Suggestions include:

- Increasing or at least indexing of local property taxes;
- A tax on empty houses and/or vacant sites;
- A tax on aggregates (gravel) extraction;
- Water charges;
- Introduction of VAT on some currently exempt luxury items;
- A cap on tax relief on pension contributions;
- New polluter pays taxes e.g. on disposable cups etc.

Achieving Change

There was agreement that significant change in the fiscal system could not be achieved quickly. There was some discussion on how to get buy-in to any reforms, and a number of contributors put forward the concept of a social contract, which might be useful in making difficult decisions around the spatial distribution of investment, the implications of Brexit and the introduction of new taxes. More engagement is required and there may also be a need to revise and iterate plans in order to get buy in. The Minister noted that the discussion of a social contract often tends to focus on some future tax and expenditure, but that there are many services that are already being provided to a high standard and thus are worth paying for. In relation to the introduction of new taxes a number of contributors favoured the ring-fencing of revenues for a specific purpose.
Summary:

- There was agreement that productivity was a key driver of economic growth and that Ireland faces some important and specific challenges in this regard.
- We have a complex economic structure dominated by FDI and there is a clear need for better linkages between the indigenous sector and FDI sectors as a means of boosting productivity among indigenous firms.
- While both the FDI and Indigenous sectors experience a number of common challenges with respect to competitiveness and productivity growth, there are some challenges that are specific to each sector.
- With respect to the common constraints, cost pressures related to infrastructure, such as the lack of affordable housing and the incomplete road networks are raising the costs of doing business and creating a drag on productivity.
- Labour and skill shortages are likely to emerge as the economy continues to grow and these will also tend to increase labour costs across all firms.
- With respect to indigenous firms, specific productivity challenges include under-developed management skills, access to finance, the adoption and diffusion of technology, access to global value chains and the retention \ attraction of skilled staff.
- There is a need to encourage innovative practices within firms, whereby management and workers take a collective approach to productivity development.
There was a very rich discussion covering a wide-range of issues related to productivity, competitiveness and investment in the context of the challenges facing the economy. There were a number of recurring themes throughout the discussion, and I would like to thank all the participants in the breakout session for their input. What follows is a summary of the main constraints arising under each of the key themes along with policy options proposed by the group for addressing them. The five identified key themes were as follows:

1. Infrastructural constraints
2. The productivity gap between leader and follower firms
3. Poor management skills and practices in SME and indigenous firms
4. Labour market challenges
5. Access to finance

**Infrastructural constraints**

A number of hard and soft infrastructural factors were identified as being problematic from a productivity and competitiveness perspective. These included a housing shortage which raises living costs, and consequently labour costs, and an incomplete road network which raises transport and distribution costs. There was a need for further investments in research and development (R&D) to facilitate more effective technology diffusion and the continued development of innovative products and processes, particularly within indigenous firms.

In terms of potential areas for policy, a number of suggestions were made including investments in the connectivity of infrastructure aimed at improving links between centres of population, such as Limerick and Cork. The group proposed the establishment of a National Infrastructure Commission with the remit of prioritising spending on an evidence and needs basis. Regulations around procurement, particularly in the areas of housing and broadband investments, were perceived to be over-regulated and requiring streamlining. Finally, to improve the diffusion of R&D and technology adoption among firms, the expansion of the Science Foundation Ireland (SFI) “Hubs” was proposed.

**Closing the gap between productivity leaders and followers**

It was noted that a large gap exists between the most productive firms, known as productivity ‘leaders’, and so called productivity ‘followers’. While firms assisted by enterprise agencies are close to the frontier of productivity, policy also needs to focus on less high performing firms. A number of possible strategies were proposed to promote spillovers in practices from leaders to followers. It was identified that a substantial amount of key management and strategic staff were now located within Irish branches of FDI’s, creating substantial
opportunities for important knowledge transfer to less productive firms. It was proposed to establish a ‘business council’ to promote learning between leaders and followers as a means of closing the identified productivity gap.

**Management deficiencies within indigenous firms / SME’s**

The group identified a link between poor management training / practices and lower productivity levels within the indigenous / SME areas of the economy as a key issue for policy. This view is also supported by emerging evidence from the international literature, including a recent publication from the Office of National Statistics in the UK. There was agreement that more information was needed in terms of both the nature and scale of skills deficits before an appropriate policy response could be developed. However, the group felt that the issue was one of high importance and that actions should begin immediately.

**Access to finance**

The problem of accessing competitively priced finance among SME’s / indigenous firms was identified as a key barrier to firm-level development and productivity growth among these firms. This constraint hampers investments in R&D, product and process development, technological adoption, workforce development and market expansion. The group felt that greater competition was needed including a regionally based SME banking model, such as the German Sparkassen model. The group urged that an appropriate banking model should be implemented as soon as possible in order to address this market failure. It was also suggested that a lower exports threshold for VAT free invoicing could also be considered as a means of both freeing cash flow and incentivising exporting behaviour among indigenous firms.

**Labour market challenges**

It was recognised that the unemployment rate is quickly approaching historical lows and, consequently, firms risk facing rising labour costs as the labour market continues to tighten. Costs will potentially increase as a consequence of both labour and skill shortages as the flow of workers to the labour market continues to decline. The group recognised the importance of proactive action in this area as a means of preventing a decline in competitiveness and productivity. A number of potential policy options were proposed, including strategies aimed at increasing labour market participation. Policies aimed at improving both the retention and recruitment of skilled female workers following childbirth was seen as a priority area for policy. It was also suggested that the arguments that the world of work was in a flux of digitalisation (OECD) need to be examined and the group felt that the implications of digitalisation for both labour demand and productivity levels should be fully investigated within an Irish context.
In addition to constraints arising from insufficient levels of labour market supply, the group also emphasised the need for continued investments in skills development, both within the HE and VET sectors, as a means of promoting and facilitating productivity growth. Policy should look at ways of promoting VET and apprenticeships as viable education pathways for school leavers. The importance of in-work training was particularly emphasised, with policies such as the use of employee share options as a means of incentivising the take up of training among employees being discussed. Links between indigenous firms and universities should also be developed to ensure that employers in this sector have sufficient access to the country’s best talent.

Conclusion

While Ireland compares well at an international level in terms of both competitiveness and productivity, it was accepted that these figures hide important disparities between firms and sectors. The group recognised that the policy solutions to the key issues raised were complex, with most of the identified constraints requiring a multifaceted policy approach, particularly given that many of them are inter-related. Nevertheless, the group felt that it was of the utmost importance that issues of productivity and competitiveness remain at the centre of the policy agenda and that there was scope for significant progress to be made in all of the areas where challenges were identified.
Breakout Session 3

“Supporting Labour Market Participation”

Chair: Minister for Employment and Social Protection,
Regina Doherty T.D.
Rapporteur: Dr. Mary Murphy

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

Summary:
A more ambitious employment rate target should include specific sub-targets for various groups including women, lone parents, youth, older workers, and people with disabilities, migrants and Travellers. Income supports and activation programmes played a crucial stabilising role over the crisis during which a significant degree of institutional reform was achieved merging income supports and public employment services, albeit there remains challenges of capacity, staff training and culture, as well as concerns about job quality. Expansion to groups more distanced from the labour market requires addressing their differentiated needs and ensuring work pays. The scale and quality of such intervention is costly but will generate cost savings and address labour market and skills shortages. Building on learning from quantitative and qualitative evaluation, where employment is subsidised the focus should be on targeted, regulated and well monitored measures. Education and training policy needs greater integration with activation policy and implementation, and measures to upskill workers. The mandatory retirement age threshold should be increased with new practices to enable tapered stepping down from employment. Care remains the most significant barrier to increasing women’s employment alongside features of the tax and welfare system and occupational segregation in low pay sectors including the child and elder care sectors. Managing labour and skills shortages requires a careful balance of increased employment rates and migration. Sector specific migration issues include the issue of global supply chains as they impact on labour shortages in the health care sector. Noting the positive experience of migration in Ireland, policy should seek to mitigate distributional impacts including downward low wage pressure and congestion on public services including housing, and language integration.
Employment rate sub targets

The workshop recognised the challenge of increasing labour market participation from the below EU average of 70% but also the challenge of ensuring job quality. An ambitious target for increasing the labour market employment rate should include specific sub targets for various groups including gender, lone parents, youth, older workers, and people with disabilities, migrants and Travellers. In this context, employment rate age limits should be examined.

Expanding activation to those most distant from the labour market

Income supports and activation programmes played a crucial role as automatic stabilisers over the period of economic crisis and the significant degree of institutional reform merging income supports and public employment services is recognised. Cuts in social insurance, young people’s payments and lone parent’s reforms are still having impacts. There remains a tension reconciling a culture dominated by income supports controls with an enabling form of activation. Investment in case-officer training is required to develop an activation service with an enabling client centred culture focused on implementation of well targeted integrated services.

A key challenge is to expand Pathways to Work activation services beyond the live register, in an appropriate manner based on the principles of active inclusion, to those groups more distanced from the labour market including adult dependants, lone parents, youth, older workers, people with disabilities, migrants and Travellers. This requires safeguarding against practices of ‘creaming’ and ‘parking’. An active inclusion approach will deliver tailored client centred services with enhanced services addressing, for example, mental health and addiction. Such intervention needs to be of a longer duration and of sufficient scale and quality. It is therefore costly but will over time generate social cost savings and contribute to addressing labour market and skills shortages.

An equality proofed approach to activation will understand the diverse and differentiated needs of specific target groups, for example lone parents with older children who may not be able to work full time. An expanded approach will need greater local horizontal integration with SICAP and similar programmes.

It will also advance ‘making work pay’ pathways that enable claimants take risks, with the knowledge that they be able to retain/regain secure income, more needs to be done (information campaigns, staff training) to maximise use of existing innovations like fast-tracking payments and payments pending wages.
Learning from evaluation of labour market programmes

Building on experiences of evaluating JobBridge and other labour market programmes, policy makers, practitioner and politicians need to continue to develop a learning culture using both quantitative and qualitative evaluations. Where employment is subsidised the focus should be on targeted, regulated and well monitored active labour market measures.

Greater integration of education and training

Given the poorer educational profile of those distant from the labour markets activation policy is likely to orient from work-first activation to a greater focus on education and training as the first point of intervention. This will require greater integration between Solas and ETB’s and national activation governance institutions as well as greater capacity for local collaboration and implementation and programmes for upskilling workers. Various good practice training examples include ‘Reboot’, women in IT and the Ballymun Youth Guarantee Pilot.

Older workers

More is needed to address employment concerns of older workers including their experience of age discrimination. Enabling participation of older workers is not a zero-sum game, countries with higher participation experience enhanced economic growth and more employment opportunities for all age groups. While there appears no consensus about ending mandatory retirement it is agreed the retirement age threshold be increased with new practices to enable tapered stepping down of participation in employment.

Women

Childcare, school-age care and elder care as well as cultural assumptions about sharing care-work remain the most significant barrier to increasing women’s employment. Other barriers include institutional rules in the tax and welfare system, and occupational segregation in low pay sectors. Improving quality of work and pay in the child and elder care sectors can make these sectors more sustainable while also addressing the gender pay gap.

Addressing labour shortages by balancing increased employment rates and migration

Managing labour and skills shortages requires a careful balance of increased employment rates and migration. There has been to date an overall positive experience of migration in Ireland, and international research clearly shows migration contributes to increased economic growth. However policy should seek to mitigate potential distributional impacts
including those related to any possible ‘Brexit’ redirection of UK based migrants, as well as possible downward pressure on low paid sectors, displacement of low skilled workers, pressure or congestion on public services, particularly housing, and issues concerning cultural compatibility including language integration and intergenerational mobility of migrants.

Labour migration issues in specific sectors require attention, for example the global supply chain process impacts on the Irish health sector with significant impacts on the quality of health care. Indigenous Irish educated nurses and doctors are emigrating to more attractive UK packages including career mobility, while Ireland remains only a short term work destination for migrant health care workers who, after investment in €15,000 Irish training per worker, often within one year seek work in lucrative English speaking health sectors in USA, Canada and Australia.
Breakout Session 4

“Spatial Planning to Address the Needs of the Modern Population”

Chair: Minister for Housing, Planning and Local Government, Eoghan Murphy T.D.

Rapporteur: Dr. Larry O’Connell

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

Summary:
The discussion centred on aspects of spatial planning including the need for it and the role of regional cities; its impact on rural decline; the barriers or challenges; governance issues; the link to the NDP; and environmental issues.

Key points – in summary

- Need for NPF to deal with housing and Brexit;
- Regional cities will require investment;
- Dublin requires investment, if only to stand still;
- Connectivity is key for urban, inter-urban and rural;
- Urban has a future and so too has rural – need constructive and positive narrative for both and to get this need to drill deep into local capabilities;
- Role of NPF will be to help unlock and support this local potential;
- Need the NPF process to grapple with some hard choices around land, density, one-off housing;
- Need to look back at previous strategies and across Government to ensure links with other key strategies, whole of Government approach; and
- We must manage development to ensure that we address major environmental challenges.
Minister Eoghan Murphy welcomed participants to the session, including Minister Patrick O’Donovan, and thanked everyone for attending.

Minister Murphy opened the meeting by providing an update on the development of the National Planning Framework 2018 – 2040, explaining that a draft will be brought to Government in July, followed by a Public Consultation, with a view to finalising the Plan by end year.

The discussion focused on spatial planning to address the needs of the modern population. There were two recurring themes: Housing and Brexit.

- Housing: Ireland is in the midst of a housing crisis. Efforts to resolve this are rightly focused on immediate needs, including: finding more and better accommodation for homeless, for those in emergency accommodation and for those on the social housing list; making rent and ownership more affordable; and using public lands more effectively.

However, the discussion also reflected that the crisis is a product of long-standing unresolved issues, including: land values and how uplift from planning is captured; the lack of a sizable non-profit/ limited profit sector in rental; and planning and attitudes to high density and the approach to one-off housing.

These deep structural features mean that boom and bust cycles will continue to be a long-term feature of our economy. The NPF, if it is to make a difference, will need to grapple with these hard and thorny issues. It should be noted that there were mixed views throughout the discussion with regard to “one off” housing.

- Brexit. Participants raised many issues including the potential opportunities, for example for Rosslare Port; for financial services and further and higher education. However, downsides were also noted including the re-location of manufacturing activity to the UK and its impact particularly in areas outside Dublin and the South East. The discussion noted that Brexit reinforces the importance of an all-Ireland perspective for the NPF and more generally in relation to trade and infrastructure and the scope to argue for a specific investment fund as part of the Brexit negotiations at EU level.

Six Questions
The first question centred on the need for effective regional development and the role of regional cities. There was strong consensus that the second tier cities need to be supported. Views varied in terms of the number (1-3) of cities that might be targeted under such an approach though the need to be decisive was seen as important by some, in that this would provide certainty and enable greater private sector investment to be leveraged in.
There was also a strong sense that Dublin, even to stand still, required further investment. This reflected several factors: housing prices and rental, pressure on public transport and continuing employer preferences for Dublin in at least some sectors.
In addition, it was highlighted that connectivity, in particular supported by high/her speed rail, in areas like the Eastern corridor south and north of Dublin and to Cork, could be very significant in unlocking potential.

There was discussion about what modern needs are and about biases we might hold. There is a danger of anti-urban bias: cities are bad and new ways of work and new technologies—like rapid rail and zero-emissions autonomous vehicles—will ultimately set us free. But a pro-city view is needed and this points to the benefits of modern, liveable cities, with appropriate mix of affordable and varied housing and green spaces as attractive in itself (e.g. Copenhagen). There are many and good reasons to believe that people may still wish to live in close proximity. It was also noted that there is evidence that as people age, they are moving closer to towns and cities to avail of better health treatment.

At the same time it was argued that discussion of spatial development could too easily lapse into an overly negative view of rural — as unsustainable and in permanent decline and likely to be overlooked as a basis for dynamic and sustainable growth and opportunity. The counter to this view is that in rural areas there are hugely valuable resources (grass land, rich biodiversity) and capabilities. These can be very significant engines for sustainable and employment rich growth, for example the dairy industry. The overarching message seemed to be that the key is deep engagement around the potential of any given local area.

The key role for the NPF may in large measure be its ability to support local potential, via the Local Authorities and upwards into the policy system.

The question about rural Ireland prompted a number of insights into the real challenges and the impact on communities and local business. However, there was also a sense that these same communities could be empowered to do more. Key issues included broadband and transport connectivity to urban areas. The discussion highlighted aspects of governance and arrangements between Local Authorities and central Government which are undermining local autonomy and flexibility.

In looking at governance issues it was suggested that lessons learned in relation to the NSS should continue be mined; that the time frame around major projects is 12–15 years and while this could be improved somewhat that this type of time frame needs to be acknowledged in the NPF. It was also argued that there is a need to ensure local authorities have sufficient staff and funding to implement the strategy and whether this would require changes in local taxes/charges. Finally, it was suggested that a national consensus was required that extends over the political cycle, it is a plan out to 2040 and as such needs cross-party support.

There was strong consensus that the NPF should be aligned with the Government’s Capital Plan and also with other Government policies across all of the sectors to ensure coherence and a “whole of Government approach”. Particular reference was made to: Rebuilding Ireland and housing needs; Infrastructure planning; Education policy and the health sector. There was general agreement that the budgets for each of these sectors, as a composite, will underpin the NPF. A number of specific proposals were also made, including:
- The creation of a HomeBuilding Fund to provide builders with cheaper finance, as in the UK;
- The extension of the “living over the shop” Tax incentives (to regenerate the centre of towns which are falling into disuse and decay);
- The reintroduction of New House Grants;
- The expansion of the Home Renovation Incentive Scheme;
- Leveraging private sector investment, including by the provision of State Land;
- The creation of new Infrastructure Bonds.

In relation to the question on environment there was consensus amongst the group that we must manage development to ensure that we address major environmental challenges such as protecting air, water quality, biodiversity and climate change, and transforming our energy and transport systems away from a dependency on fossil fuels towards green energy. There were warnings that Ireland will incur considerable fines if we fail to miss our emissions targets. Ireland must learn from cities built well in other countries and how they planned those and managed public transport. Government procurement could drive the “green” agenda more, by ensuring environmentally friendly solutions were purchased, or by incentivising people to avail of public transport and more energy efficient modes of heating. With regard to the latter, it was suggested that additional grant funding could be channelled through the SEAI. There are considerable environmental and economic benefits from retrofitting. However, some participants considered that the financial benefits from retrofitting are being overstated. It was also noted that whilst additional regulations and policies in relation to construction could be introduced, these cost money, and the cost would be passed onto the end user. It was considered that we would need “carrots and sticks” in terms of incentivising environmentally friendly measures and penalties for environmentally damaging practices. There are clear savings to be made, both at household and at Governmental level, although issues were raised with the inability of the fiscal rules to account for these benefits over future years.

The question of challenges facing the NPF brought many issues to the surface- lack of employment opportunities in the regions; underinvestment in infrastructure; transport connectivity to urban area; access to services in the areas; lack of water and sewerage services. Given that the NPF is a consultative effort to address these and other challenges there was a sense of hope. However, the enemy to that hope and ambition was seen as ‘ourselves’: are we willing to make the hard choices? This is in part political, and of course will come down to that, but failure to grapple with thorny issues –like land values and alternative forms of housing provision-is also societal.
Breakout Session 5

“Delivering Future Skills Needs”

Chair: Minister for Education and Skills, Richard Bruton T.D.

Rapporteur: Dr. Adele Whelan

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

Summary:
There was a wide ranging discussion on challenges facing the education sector and how it is meeting and responding to the skill needs of the economy. A number of key themes emerged regarding the need for the education sector to equip learners with the appropriate skills to adapt and respond to the evolving labour market. The main themes include the diversity and flexibility of the education sector, the requirement to meet skills needs, the growth and broadening of the apprenticeship model, the quality of career guidance and the need to further develop an evaluation culture.

The wide ranging discussions reflected the potential and importance of education and training in Ireland to serve both economic and social goals.

A number of key themes across the system emerged:

Diversity and flexibility of the education sector
There was broad consensus about the preference to maintain a diversified education sector in order to provide an opportunity for all students at every level to learn and upskill. A need was recognised for greater connection and continuity between further education, higher education and the wider economy. It was highlighted that a flexible and regional focus is required in terms of education and training provision accompanied by national oversight. In
that context developments including the establishment of the National Skills Council (NSC), regional skills fora and proposed Technological Universities were discussed as having a potentially important role to play. The management and leadership support required for the strategic development of educational institutions was acknowledged. Furthermore, the potential for online digital platforms and blended approaches to learning to play a greater role in how training and education is delivered in the future was discussed. In regard to this aspect, the national roll out of broadband was identified as having a vital role to play.

**Meeting skills needs**

Education has a central role in the development of our economy and society. As the economy grows and unemployment levels continue to decline it leads to new challenges for the sector. While this improvement in the labour market was welcomed, it was noted that the sector needs to adapt and respond to those who remain unemployed, particularly the long term unemployed who often face significant challenges. For those in employment the importance of continual professional development and lifelong learning at all levels needs to be recognised and a variety of delivery models were discussed. It was highlighted by some that continual professional development and lifelong learning approaches can be a particular challenge for smaller employers.

**Expansion and broadening of apprenticeships**

The way in which training and education is being provided is evolving and broadening, in particular the apprenticeship model was discussed at length. There is an ambitious target to expand apprenticeship registrations to 9,000 by 2020 (approximately 3,500 in 2016). There has been considerable engagement with industry to identify skills needs and areas where apprenticeships will play a role including non-traditional apprenticeship sectors such as the financial and social areas. However, it was noted that there is a communication challenge to increase awareness and recognition of apprenticeships as a viable training and career path. The need to continually identify sectoral opportunities in both the public and private sectors was recognised.

**Quality of career guidance**

The quality of career guidance at second level and beyond was discussed and it was noted that students need to be made aware of the wide range of educational and training opportunities. The upcoming guidance review by the Department of Education and Skills, which is due to commence this year, was noted as an opportunity to review the second level model to see how it can be developed. Furthermore, the need for the second level curriculum to be responsive, in order to equip students with the necessary skills including ‘learning to learn’ and the ability to be flexible, adaptable and resilient were identified. Regarding career
guidance for the unemployed it was suggested that currently there can be disparities in the service provided.

Evaluation

The need to further develop a culture of evaluation in the area of education and skills was identified. In order to make informed policy decisions it was emphasised that there is a strong need to have a greater focus on collecting relevant data and its availability for subsequent analysis and evaluation. An opportunity to learn from successes and also identify and reorganise/close programmes that have failed to meet their objectives was highlighted. Policy needs to have clear, well defined objectives in order to adopt a long-term approach to look at outcomes and track progressions over time. It was welcomed that the Department of Education and Skills is developing a unit to collate and facilitate a more systematic approach to the evaluation of programmes.
Breakout Session 6

“Planning for the Future—Climate Change Policy for Long-Term Sustainability”

Chair: Minister for Communications, Climate Action and Environment, Denis Naughten T.D.

Rapporteur: Brigid McManus

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

Summary:
The Group welcomed the commitment by the Government to address climate change across all areas of public policy making. The Group emphasised the importance of dialogue and the engagement of all citizens in the wide-ranging behavioural changes needed to deliver climate change objectives. In this context it is suggested that there should be more opportunities for individuals, farmers and small community groups to participate directly in carbon reduction actions. Simplifying household energy efficiency measures could improve uptake. The Group agreed on the importance of ensuring that measures were not undertaken to deliver short term outcomes which would inhibit better longer term solutions. Timely measures to support transition of industries, workers and communities affected by the structural changes involved are critical to success.

Strategy

The Group recognised the very significant challenge involved in delivering on the structural, societal and economic changes required. The Group welcomed the recognition of climate change as a whole of Government issue in remarks by the Taoiseach and Ministers and the importance of integrating it into policy development across Departments. Addressing carbon related issues as part of the Public Spending Code and in public capital investment decisions was instanced as a measure that would support this. Failure to deliver on objectives, and the
consequential fines, would have an impact on the availability of Exchequer resources for public expenditure generally. In the event that fines fall to be paid, it would be desirable that the EU agree to their use for investment to deliver on longer term carbon reduction. Clarity on the desirable low carbon configuration to be achieved in the long term is critical in order to ensure that shorter term measures to tackle carbon emissions are consistent with these longer term goals. Given the significant investment required to deliver carbon reduction, it is important that the measures chosen are the most efficient and effective. Longer term planning was also seen as important for effective transition support measures for those affected.

Public engagement

The Group recognised the need for effective public debate and buy-in. In particular there is a need to engage younger citizens who are likely to be most affected by the transition required. Climate change objectives can only be achieved if there is a widespread appreciation and acceptance of the rationale for the scale of structural and behavioural change required. The National Dialogue announced by the Minister is a significant action to address this. The Group discussed a range of possible measures to encourage behavioural change. Having measures that facilitate widespread participation in climate reduction actions would support this buy-in. Examples given included renewable energy feed-in arrangements for individuals, farmers and community groups. Infrastructural investment in public transport and cycle ways was also suggested to support behavioural change. Supporting local approaches and local solutions would contribute to effective public engagement.

Transition support for those affected

A key element of planning for the future must be the development of effective measures to support sectors, industries or particular geographic areas affected by the transition to a low carbon economy. We need to look at the specific needs in the different situations and identify, in consultation with those affected, alternative opportunities. Funding to assist in developing these opportunities and in relevant retraining or other measures will be needed. Alternative opportunities identified for such groups will need to be realistic, having regard to existing skills. It was noted that these types of structural change can arise more generally, for example from the move to the digital economy.

Energy efficiency measures

The Group discussed encouraging more widespread implementation of energy efficiency measures, particularly deep retrofitting. Issues discussed included:
- Greater advisory support for households on appropriate measures to be taken
- Possible loan finance issues
- Payback from industrial versus residential retrofitting
- Addressing household disruption impact

Transport

There was considerable discussion of the appropriate approach to addressing the carbon impact of transport, in particular in relation to fuel choices and possible taxation measures, though there was no consensus on the best approach. Competing factors raised in relation to diesel were the need for its reduced usage due to detrimental air quality issues, particularly in urban areas, balanced against competitiveness concerns for business and farming, and the current lack of a viable alternative for commercial/farm transport. There were differing views on the potential for higher biofuel targets and the changes in EU policy in this regard. It was noted that reaping the carbon benefit of widespread electric car usage assumes decarbonisation of electricity production itself. There was a discussion of possible approaches to signalling a future carbon tax and the use of any revenue for investment in climate mitigation or adaptation measures.
Breakout Session 7

“The Agri-Food Sector- Addressing Brexit and Broader Global Challenges”

Chair: Minister for Agriculture, Food and the Marine, Michael Creed T.D.

Rapporteur: Tom Arnold

The following summary of discussion at the breakout session has been prepared under the authority of the rapporteur and should not be perceived or understood as an agreed document.

Summary:
The Irish Agri-food sector faces five major challenges: Brexit, EU policy post-Brexit, meeting its environmental obligations, future UK and international trading arrangements, and addressing its human capital requirements. Of these five risks, Brexit is the dominant one in the short to medium term.

Given the importance of the UK market for Irish Agri-food exports, a Brexit involving the UK leaving the Customs Union and the Single Market, with the possible introduction of high UK tariffs on Irish food exports, would have significant negative effects on the Agri-food sector and the wider Irish economy. The vulnerability of the Irish fishing sector to Brexit is a major concern. The government has launched a major political and diplomatic initiative with EU-27 highlighting the risks to the Irish economy. In addition, a series of support measures for the Agri-food sector and fishing sectors have been introduced aimed at strengthening competitiveness and promoting market diversification.

The Agri-food sector faces major challenges in reducing carbon emissions to contribute to national reductions required to meet EU and international targets, while at the same time increasing milk and beef output. Ireland’s aim to promote its environmental sustainability credentials must be supported by hard evidence, with continuous improvement in key indicators being the goal. Maintaining open
trading relations with the UK post-Brexit and with third country markets through agreements negotiated by the EU is of crucial importance to the sector. A series of innovative measures will be required to meet the human capital needs of an expanding sector.

There appear to be five major challenges facing the Agri-food sector: two relate to Brexit and the post-Brexit situation: two are international in nature: the environmental challenges for agriculture relating to the implementation of EU decisions and the Paris Climate Change agreement, and the future global trading arrangements for agricultural and food products: and the fifth is largely domestic, namely how to meet the human capital needs of an expanding Agri-food sector.

**Brexit and Post-Brexit**

As Taoiseach Leo Varadkar said in his opening statement to the Dialogue, Brexit represents 'a fundamental economic risk for Ireland'. The draft 2017 National Risk Assessment states that Brexit has the potential to affect nearly all aspects of national life, including economic growth, trade and competitiveness; relations with Britain, Ireland and the EU as well as stability within the EU itself; and justice and legal regulations.

The specific risks of Brexit for the Agri-food sector are a major component of the overall national risk, as the sector represents such an important part of the Irish economy and exports a high proportion of its output to the UK. A Brexit which would introduce trading restrictions on the sector and also introduce new tariffs on trade with the UK would have a major impact on the Irish economy.

The nature and scale of the threat is illustrated by some key statistics: in 2016, Irish Agri-food exports to the UK were worth some 4.8 billion euros, 39 per cent of total food exports. 50 per cent of beef exports and more than one third of dairy exports go to the UK, realising higher market prices than are available on alternative markets.

The vulnerability of the fisheries sector to Brexit was highlighted by a representative of the sector. UK coastal waters account for some 30 per cent of the catch of the Irish fishing fleet: among the most valuable species fished, mackerel and prawns, UK waters account for 60 per cent and 40 per cent respectively. Given that the fisheries sector in the UK is overwhelmingly in favour of Brexit, there is a risk that the UK government will push for a particularly 'hard Brexit' which has the potential to significantly reduce access to UK waters to Irish fishermen with a consequently severe economic impact on the sector.
Against the background of the major vulnerability of the Agri-food and fisheries sector to Brexit, the overall aim of the government is to work towards an outcome as close as possible to the status quo in terms of market access and trading arrangements between the UK and EU markets. Minister Creed has met his ministerial counterparts in most of the EU 27 countries, stressing Ireland's particular vulnerability to Brexit and the need for its impact to be understood and taken into account in the negotiations. He has also highlighted the fact that Brexit may impact on market stability in certain sectors for EU 27 and for specific national markets. For example, the beef market for EU 28 is broadly in balance, at 102 per cent self sufficiency. With British exit, EU 27 would have a self sufficiency ratio of 116 per cent, with the consequent risk to prices and market stability in a number of countries.

In addition to the political and diplomatic campaign to advance the Irish position with other EU countries, a number of initiatives have been taken at national level. The Department of Agriculture, Food and the Marine (D/AFM) has established a Brexit Response Committee and a dedicated Brexit Unit. The Minister has hosted four All-Island Civic Dialogues covering 11 Agri-food sectors, one dialogue on fisheries and one on the equine and greyhound sectors.

There has been close consultation with the state agencies of Bord Bia, Bord Iascaigh Mhara (BIM) and Enterprise Ireland to assist planning for necessary adjustments resulting from Brexit. Significant additional resources were allocated to Bord Bia and BIM in Budget 2017. The additional Bord Bia resources are to advance a programme of market diversification for the Agri-food sector, conducted in tandem with a series of trade missions aimed at increasing opportunities for Irish food and drink exports in EU and third country markets. Budget 2017 also introduced a 150 million euro low-cost loan scheme, Agri-taxation measures and increased funding for the Rural Development and Seafood Development Programmes. A Stakeholder Consultative Committee has been established and Brexit is a standing item on the agenda of the Food Wise 2025 High Level Implementation Committee.

Looking to the longer term, in a post Brexit world, a number of representatives in the session stressed the need for more flexibility to be introduced to the EU’s policy on state aids. The UK is a net contributor to the EU budget and its departure will result in difficult decisions at EU level on the size and allocation of that budget during the next Multi-Annual Financing Framework from 2021-2026. The future funding and direction of the Common Agricultural Policy (CAP) will be among the key decisions which will impact on the Irish Agri-food sector.

Environment

The background to the discussion on the environment includes the commitments to reduce national carbon emissions in accordance with the Paris Agreement on Climate Change and earlier commitments relating to 2020 arising from decisions of the EU Council. At the same
time, it is government policy to increase national production of milk and beef which will lead to increased emissions from the agricultural sector. Meeting both sets of commitments represents a significant challenge to Irish politics and public policy.

Food Wise 2025 states that 'environmental protection and economic competitiveness are equal and complementary: one cannot be achieved without the other'. There is evidence to show that Ireland is already one of the world’s most efficient food producers in terms of carbon footprint per unit of output, most notably in the case of milk. There are a number of government supported schemes aimed at driving down the carbon intensity of food production even further. These include the Origin Green scheme, which is the first national sustainability programme of its kind, and includes farms and food companies being audited for carbon footprinting. Other schemes include the Beef Genomics Scheme, knowledge transfer programmes under the Rural Development Programme, the Forestry Development Programme and the Dairy Sustainability Initiative.

Representatives at the session acknowledged the progress being made under these various initiatives but stressed that, if Ireland aims to promote its environmental sustainability credentials, there must be clear evidence to support this claim. A representative of the Environmental Pillar stated that evidence is required for biodiversity, water quality and greenhouse gas emissions and relates not only to the intensification of the dairy sector but to other food production sectors including forestry and fisheries. The Pillar has serious concerns in relation to these sectors and their impact on water quality, birds and other biodiversity, including pollinators and loss of important habitats. Robust environmental sustainability credentials would show that key indicators were being met, with continuous improvement as a goal. There is scope for an increased emphasis on organic food production. A representative of the D/AFM agreed that the Department should be more proactive in assembling the evidence showing the impact of the range of environmental initiatives on the level of emissions from the Agri-food sector. The session agreed that bringing together such evidence could contribute to a new narrative for the sector around sustainability and carbon efficient production which could be of significant commercial advantage in developing new markets.

Future Trading Arrangements

As a strongly export-oriented economy, Ireland needs to remain very committed to open international markets. A Brexit which involves the UK leaving the Customs Union and the Single Market will inevitably lead to trading arrangements between the UK and Ireland which are less favourable than currently exist. The new trading arrangements post Brexit will depend on nature of the Trade Agreement between the UK and the EU. The Agri-food sector could be especially vulnerable: if negotiations are not successful there is a risk that the UK...
would be obliged to operate WTO rules on tariffs for its EU trade. This could mean that high tariffs could apply to Irish food products entering the UK.

At the wider international level, EU policy on trade will determine the trading environment facing the Irish Agri-food sector. In recent years, the EU has entered into a number of Free Trade Agreements (FTAs) with third countries which have enabled increased export opportunities for Irish food. The latest such agreement under negotiation is a Free Trade Agreement with Japan which it is hoped will be signed in the near future. On the other hand, representatives of farm organisations expressed concern about the possible impact on EU meat markets, particularly beef, of a possible comprehensive trade deal with the Mercosur group of countries in Latin America. Negotiations on this deal are currently stalled but they could be resumed and, if concluded, could impact negatively on EU beef markets and prices.

**Human Capital**

The growth in agricultural output in recent years has given rise to a problem which has not hitherto arisen in the Agri-food sector. Labour shortages are emerging and it is estimated that the dairy sector has vacancies for 6,000 operatives which, if not addressed, could reduce the expansion of the sector. Possible measures to address this problem include investment in skills, expansion of farm relief services, the use of Skillsnet and other possible innovative approaches such as recruiting gap year students from Australia and New Zealand. It was suggested that more flexibility in the social welfare code and arrangements could assist in increasing the supply of domestic labour. The provision of work permits to third country nationals was not considered to be a likely solution to the shortage of human capital. The need to ensure high labour standards and to develop more established career paths for people in the Agri-food sector was stressed.