



Rialtas na hÉireann  
Government of Ireland

# Spending Review 2021

## Executive Summaries – Tranche 1 Publications

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These papers has been prepared by IGEEES staff across a number of Departments. The views presented in the papers do not represent the official views of each Department or Minister.

# IGEEES

Irish Government Economic and Evaluation Service

## Contents

|  |    |
|--|----|
| 1. An Analysis of the Distribution of Enterprise Supports  |    |
| <i>Produced by staff in the Department of Public Expenditure and Reform.</i>   | 3  |
| 2. Evaluation of Industrial Relations Expertise in the Civil Service   |    |
| <i>Produced by staff in the Department of Public Expenditure and Reform.</i>   | 5  |
| 3. Exchequer Funding of General Practice 2018-2020   |    |
| <i>Produced by staff in the Department of Public Expenditure and Reform.</i>   | 8  |
| 4. Social Impact Assessment 2021: An Assessment of Living Standards – Results from the 2019 Survey on Income and Living Conditions |    |
| <i>Produced by staff in the Department of Public Expenditure and Reform.</i>   | 10 |
| 5. The Impact of COVID-19 on State Supported Lending   |    |
| <i>Produced by staff in the Department of Public Expenditure and Reform.</i>   | 12 |

# 1. An Analysis of the Distribution of Enterprise Supports

## Executive Summary

### Context

- This paper carries out a descriptive analysis on the distribution of enterprise supports from the enterprise agencies under the aegis of the Department of Enterprise, Trade and Employment for the years 2015-2020.
- The distribution of supports are analysed at a firm, regional and sectoral level.
- The paper primarily focuses on Enterprise Ireland, IDA Ireland, and Local Enterprise Offices.

### Key Findings

- Over the period 2015-2020 approximately €2.4bn was approved by the selected enterprise agencies for client support. A total of €1.6bn of actual payments were made during this period.
- The value of annual approvals and payments that Enterprise Ireland and IDA Ireland make are significantly larger than the Local Enterprise Offices.
- The main supports provided by Enterprise Ireland are the Seed and Venture Capital Fund and the Company Development support. For IDA Ireland it is RD&I support and it's Property Programme. Local Enterprise Offices focus on the Priming Grant and the Business Expansion Grant.

### Firm level distribution

- A higher number of approvals and payments are made to smaller firms compared to larger firms. For example, 43% of firms who receive a payment are micro versus 6% who are large.
- In contrast, in value terms the percentage allocated across firms increases with firm size. For example, 32% of all payments in value terms went to large enterprises versus 12% going to micro.
- 92% of firms who receive a payment are Irish owned. However, non-Irish owned firms receive a higher allocation in value terms on a proportionate basis. The average payment made to an Irish owned firm is €35,406 and the average payment made to a non-Irish owned firm is €240,651.

- IDA Ireland are more likely to support medium and large non-Irish owned firms. Enterprise Ireland have a spread across micro, small and medium firms which are Irish owned and Local Enterprise Offices focus only on Irish owned micro businesses. This is aligned to the agencies mandates.

### **Regional level distribution**

- The combined regional distribution of enterprise supports for most counties is similar to how the overall enterprise base is distributed and how the overall agency client base is distributed. Dublin (32%), Cork (13%) and Galway (8%) are the counties which receive the greatest level of support.
- Although Dublin has 55% of IDA Ireland clients, it receives 21% of the support provided. In contrast, Cork, Galway, Limerick, Tipperary, and Waterford all receive a greater share of support in value terms from IDA Ireland relative to the proportion of clients located in the county.
- For Enterprise Ireland 9% of payments go to overseas clients although they make up only 1% of the client base. These mainly go to overseas funds who then distribute the money to Irish firms.
- The distribution of supports for the Local Enterprise Offices is similar to its client base.

### **Sectoral level distribution**

- The sectoral level analysis includes clients of Enterprise Ireland and IDA Ireland as data is not available on this from the Local Enterprise Offices.
- Manufacturing is the sector which receives most payments across the agencies (47%). Next is information and communication (21%) and then finance and insurance (21%).
- Within manufacturing the targeting of support differs across the agencies. Enterprise Ireland has a strong focus on food products and beverages. IDA Ireland focuses support on medical devices and pharmaceuticals.

### **Policy considerations**

- The findings of this paper raise a number of considerations for the Department of Enterprise and the selected enterprise agencies. These include aligning support provision with the goals of balanced development, ensuring the appropriate budgetary management procedures are in place when it comes to approvals, and having sufficient data monitoring systems in place.

## 2. Evaluation of Industrial Relations Expertise in the Civil Service

### Executive Summary

Effective management of industrial and employment relations not only underpins industrial peace, but also fosters productivity and promotes economic wellbeing. It is important that Industrial Relations expertise is available to Management in the context of engaging and negotiating with the unions in relation to developing and implementing Civil Service employment terms and conditions while adhering to employment legislation and Public Service Agreements<sup>1</sup>.

There is a perception that there is a deficit in IR expertise (skills, knowledge and experience) amongst staff assigned to Human Resources (HR) Units within Civil Service Government Departments. However, this has not been evaluated and therefore the extent of gaps or shortfalls, if any, in IR expertise is unclear. The purpose of this research is to examine whether the perception is justified. Furthermore, if it is found that there are skills and knowledge gaps, the extent to which this is affecting engagement with the Civil Service unions within the Civil Service IR forums, processes and procedures will be considered.

It is widely acknowledged that the role of the HR Unit in all organisations has evolved and Units are now required to provide a comprehensive range of services across the HR functions, including, employee/industrial relations, in support of the organisations business targets and objectives. In the Civil Service it is considered important that IR expertise is available to Management in the context of engaging and negotiating with union officials.

Given the role of the HR Managers in each Government Department it is considered that they are best placed to assess: the level of IR expertise in their Units; whether there is a deficit of skills and knowledge; and whether any deficit is impacting negatively on the interactions between management and staff representatives or unions. HR Managers were requested to complete a short anonymous self-completion survey to help examine the matter. 16 completed questionnaires were received from the 18 HR Managers contacted, i.e. 89% return rate.

All HR Managers who responded to the survey identified initiatives which would enhance, develop and acquire IR expertise. These suggestions ranged from formal training, improved information resources, networking, professionalisation of the roles within HR, and obtaining the expertise through expressions-of-interest and specialist competitions.

#### **Summary of Key findings from the HR Managers' responses:**

- a) 69% consider that their HR Units do not entirely have the required staffing levels to carry out the IR tasks and responsibilities.
- b) 75% have identified that IR knowledge, skills and experience could be enhanced and developed further.

- c) 69% are very or extremely satisfied that the staff within the HR Units dealing with IR activities have the capacity to engage effectively with staff representatives and union officials inside and outside of the formal IR processes.
- d) In relation to attracting and retaining staff, just under half of all HR Managers who responded considered that it was difficult to attract staff to IR roles – only 27% disagreed. However, in contrast only 7% agreed that it was difficult to retain IR staff, although it is worth noting that 40% were undecided.
- e) Areas identified where greater expertise would be beneficial are:
  - I. Negotiations and Conflict Resolution
  - II. Employment Law
  - III. Industrial Relations Legislation
  - IV. The Civil Service Conciliation and Arbitration Scheme
  - V. Public Service agreements, provisions and implementation
  - VI. Civil Service employment terms and conditions

#### **Recommendations made by HR Managers:**

##### **a) Recruitment:**

- i. In order to attract those with the required IR expertise, specialist competitions run by the Public Appointments Service (PAS) should be carried out on a regular basis in order to set up panels of HR/IR specialists.
- ii. The Administrative Officer IR Graduate Development Programme should be widened to recruit greater numbers of graduates who will gain experience and knowledge over the two-year development programme.
- iii. Internal expression-of-interest (EOI) selection processes can identify and secure IR expertise.
- iv. A career pathway for IR/ER specialists should be developed.

##### **b) Learning and Development:**

- i. Long-term third level education opportunities should continue to be identified and supported.
- ii. The Professional Diploma in Industrial and Employment Relations delivered by the Institute of Public Administration (IPA) has been very successful and the need for this to continue was identified.
- iii. In order to address the difficulty that some staff might have in enrolling for longer term studies due to the time commitment required to undertake such studies, it is

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<sup>1</sup> Public Service Agreements: Public Service Agreement 2010-2014 ("Croke Park Agreement"); the Public Service Stability Agreement 2013-2016 ("Haddington Road Agreement"); the Public Service Stability Agreement 2015-2018 ("Lansdowne Road Agreement"); and the Public Service Stability Agreement 2018-2020; Building Momentum – A New Public Service Agreement, 2021-2022.

recommended that, in addition to longer term studies, a range of shorter topic focused training be identified.

- iv. There are a number of ways in which training might be delivered and it is recommended that OneLearning (the Civil Service Learning and Development Centre) be consulted for advice and support. Many training programmes can be successfully delivered online using different platforms and webinars which can be assessed by the attendees remotely. Greater use of technology will provide increased flexibility for the delivering and attendance of/at training.

**c) Information Sharing and Networking:**

- i. The creation of a central repository for IR documents and information was suggested.
- ii. Quarterly IR briefings should be arranged to provide IR executives in the Civil Service with updates on current IR matters.
- iii. It was suggested that a center of excellence be established to provide advice and answers to queries arising.

Findings show that in all areas the HR Managers are satisfied with IR expertise at some level, and no questions attracted a 'Not Satisfied' response. However, the results varied between the different Departments and it is clear that there are areas in which IR skills, knowledge and experience can be enhanced, improved and developed. Much has been done in this regard, and the HR Managers identified an extensive range of measures that have already been implemented in order to develop IR expertise. Furthermore, the HR Managers have identified many measures that can be taken to further enhance IR expertise. Recommendations made by the HR Managers will be reviewed, and consideration will be given to what measures/actions might be taken in order to further develop IR expertise.

It is worth noting that not only have recommendations been made, but suggestions on how these recommendations might be implemented have been put forward in this paper. It is considered important that progress be evaluated periodically and interventions amended and augmented in order to help ensure that the important activity of IR is adequately resourced and supported as required.

### 3. Exchequer Funding of General Practice 2018-2020

#### Executive Summary

This paper analyses the drivers behind the Primary Care Reimbursement Service's (PCRS) largest growth area over the 2018-2020 period – GP Fees and Allowances. The paper breaks down the drivers into discrete schemes including the extent to which these policy considerations were informed by Covid-19. The rationale and associated outputs of each scheme are analysed with best available data. Finally, the potential funding implications in the short-to-medium term are discussed based on current policy commitments and the ongoing impact of the Covid-19 pandemic.

#### Key Findings

##### Funding:

- Total Expenditure on General Practice Fees and Allowances was €797m in 2020. Of this, some €628m can be classified as 'core' expenditure; and €169m as non-core (Covid-19).
- Between 2018-2020, GP fees and allowances have increased by 45% with the majority of this increase has been Covid-19 related (some 70%). This is mainly attributable to new emergency Covid-19 triages and consultations but also to payments associated with an expanded Influenza campaign.
- The new €210m GMS contract has provided the remaining €80m increase with a further €130m due to be paid by 2023.

##### Activity:

Associated Outputs in 2020 Include:

- 120,000 registrations through the new Chronic Disease Management programme.
- Emergency Covid-19 GP fees have delivered:
  - 1.8m Telephone Triage (Covid symptoms)
  - 2.8m Telephone Triage (non-Covid symptoms)
  - 142,000 respiratory clinic consultations
- The expanded influenza campaign contributed to a total of 906k Influenza Vaccinations (primarily in late 2020).



### Key Policy Considerations:

- Some payments represent a duplication with respect to services already provided through the GMS payments (an estimated €92m in 2020 with some element of this repeating in 2021).
- GP Fees are likely to remain elevated in the short-term:
  - The requirement for a Covid-19 Triaging system in the near future may remain.
  - Policy commitment to continue with the expanded Influenza campaign in Winter 2021/2022.
  - Ongoing and potential Covid-19 Vaccination requirements
- Much of the increase is due to emergency fees which should be time-bound by legislation and subject to constant review.

## 4. Social Impact Assessment 2021: An Assessment of Living Standards – Results from the 2019 Survey on Income and Living Conditions

### Executive Summary

**Income:** In 2019, as a result of strong employment and income growth, and an increase in social transfers, income levels increased, exceeding previous peak income levels observed in 2008.

- Real median disposable equivalised income per individual (i.e. inflation adjusted income after tax) was €23,413, which is €2,732 or 13.2% greater than in 2008.
- Nominal equivalised median disposable household per individual (i.e. income after tax that is not adjusted for inflation) was €23,979, which is €3,221 or 15.5% higher than in 2008.
- The growth in nominal income of €1,107 (+4.8%) in 2019 was driven by an increase in direct income of 2.4% and an increase in the value of social transfers of 9.2%.
- Income inequality as measured by the Gini coefficient after social transfers fell slightly in 2019 by 0.9 ppts.

**Poverty and Deprivation:** While poverty and deprivation rates had been improving in recent years, in line with growth in earnings, 2019 figures deviated somewhat from this trend with a very slight decline in the *Consistent poverty rate* and an increase in the *Deprivation rate*. This suggests that access to goods and services has not moved in line with growth in incomes for some households.

- The *Consistent Poverty* rate declined slightly from 5.6% in 2018 to 5.5%, while the *Deprivation* rate increased from 15.1% in 2018 to 17.8% in 2019.
- By age, older people of pensionable age had the lowest *Consistent poverty* (2.3%) and *Deprivation* (11.2%) rate in 2019, while children (aged 0-17) had the highest rates at 8.1% and 23.3% in 2019, respectively.
- Despite children having the highest rates for both *Consistent poverty* and *Deprivation*, these have reduced by 4.6 ppts and 14.2 ppts respectively from 2013 to 2019, the greatest reductions seen across all age cohorts for both measures.

**Regional Analysis:** While there were marked improvements for a number of regions in income and poverty indicators in 2019, these improvements were not uniformly observed for all regions.

- Real disposable median incomes in Dublin and the Mid-East were 16% and 8% higher than the national average respectively, while the Border region was 21% lower.

- The *Consistent poverty rate* was highest in the Border region and South-East region at 8.2% and 10.1% respectively. While this represents a decrease in the consistent poverty rate for Border region since 2018, it is an increase for the South-East region. The South-West saw the largest decrease in the consistent poverty rate down 2.8 ppts to 3.4% in 2019.
- While the Mid-East recorded a reduction of 2.5 ppts in the *Consistent poverty rate*, the *Deprivation rate* actually increased by 6.1 ppts, indicating that inflation may have resulted in more people at the lower end of the income distribution in this region being unable afford items on the deprivation index.

**Preliminary indications of COVID-19 Impact:** Since March 2020, large declines in median incomes were observed, on average, for those in receipt of COVID-19 supports. However, lower income employees and employees under 25 experienced, on average, an increase in their incomes due to the COVID-19 supports.

- The median weekly income of COVID-19 support recipient employees in the first income quintile increased by 41% between Q4 2019 to Q4 2020 while Recipients in all other quintiles saw declines over the same period. Non-COVID-19 support recipients in the first quintile saw an increase of 21.3% over the same period.
- Between Q4 2019 to Q4 2020 employee recipients of COVID-19 supports in the under 25 age group recorded an annual increase in median weekly earnings of 23.5%, with all other COVID-19 support recipients over the age of 25 recording a more modest increase of 4% in annual weekly earnings .
- While there is no direct data on the impact of COVID-19 on poverty, a survey conducted by the CSO in June 2020 showed that respondents living in areas categorized as “Average Disadvantaged” had the highest share of the population reporting a decrease in net income (29.1%) followed by “Very Affluent” areas (21.3%) followed by “Very Disadvantaged” areas (20.5%).

## 5. The Impact of COVID-19 on State Supported Lending

### Executive Summary

This paper utilises loan scheme specific datasets to track developments in the Future Growth Loan Scheme (FGLS), Brexit Loan Scheme and SBCI COVID-19 Working Capital Scheme (SBCI Working Capital Scheme), Credit Guarantee Scheme (CGS), COVID-19 Credit Guarantee Scheme (CCGS) and Micro Finance Ireland (MFI).

MFI lend directly to businesses. The other schemes are risk-sharing state guarantee schemes in partnership with private lending institutions. Since the introduction of the *Credit Guarantee Scheme* in 2012, the objectives of state guaranteed lending have evolved from focusing on market failure and Brexit related uncertainty, to also acting as emergency fiscal support measures that look to provide working capital and liquidity to businesses adversely impacted by the COVID-19 pandemic.

### Key Findings

Between the timeframes outlined below, 8,491 firms have availed of borrowing via state guarantee schemes; accounting for a combined €1.015bn in approved state guaranteed loans. A further 3,339 firms have availed of MFI and drawn down €55.5m since 2012. Analysis in this paper is based on the following approved lending across schemes:

- FGLS: Inception (Jun 2019) to Dec 2020, €516m was sanctioned (64.5% of capacity) across 2,572 firms.
- SBCI WCS: Inception (May 2018) to Dec 2020, €184m sanctioned (55% of capacity) across 1,245 firms.
- CCGS: Inception (Sep 2020) to May 5<sup>th</sup> 2021, €282m sanctioned (14% of capacity) across 4,513 firms.
- CGS: Between Jun 2018 and Aug 2020, €33m sanctioned across 161 firms.
- MFI: Between 2012 and 2020, €55.5m drawn down across 3,319 firms.

### Loan Size

The majority of FGLS and CGS loans granted were between €50,000 and €250,000 (60% and 73% of cases respectively). The most common loan size within the SBCI WCS and CCGS schemes was between €25,000 and €50,000; 60% of cases for each scheme. MFI loan sizes are relatively evenly distributed across the €2,000 and €25,000 range; 83% of loans granted are within the €5,000 - €25,000 band. Loans above €25,000 account for 8% of loans within MFI.

### **Firm Size**

Firms exceeding 50 staff make up less than 10% of loan approvals across guarantee schemes. Between 2 and 5 employees is the most common firm size across all schemes apart from the CGS, for which between 11 and 25 is the most common firm size. Firms with 1 employee also account for over a quarter of firms under the FGLS and CCGS. Within all schemes except the CGS, average loan size is bigger for firms with more employees. All MFI loans were to firms with 9 employees or less.

### **Region**

41% of guarantee scheme borrowers are located in Dublin (20.9%), Cork (12.8%) and Galway (7.6%). Within the BC-WCS, CGS, and MFI, the majority of lending activity is concentrated in Dublin, Cork and Galway. Compared to the other schemes, lending to CCGS and FGLS did not have as high a concentration in urban counties like Cork (13%) and Dublin (10%).

### **Loan Purpose**

CCGS: approximately 50% of approved loans were for working capital, suggesting that a large portion of loans under the CCGS are acting as liquidity supports. SBCI WCS: all loans are recorded as working capital loans. To avail of lending, firms needed to demonstrate Research and Innovation and/or Product/Service Improvement. The most common innovation criteria that firms meet are research and innovation and new or improved product, process or service improvement. FGLS: all loans are used for investment purposes, the most common investments being Businesses Expansion, Improvement of Performance and Sustainability, and Premises Improvement.

### **Sector Breakdown**

While similar, the main difference in sectoral distribution between MFI and other schemes is that the agricultural sector features prominently within the FGLS (42% of loan approvals) and CCGS (17% of loan approvals). Wholesale and Retail, Manufacturing, Accommodation and Food, and Construction all account for large portions of lending under both MFI and the guarantee schemes. This is reflective of the overall Irish enterprise base and those sectors most severely affected by the COVID-19 pandemic. In the case of the COVID-19 WCS and CCGS, this suggests that schemes are being targeted appropriately.

### **Loan Schemes as Working Capital Supports**

Credit market data published by the Central Bank indicates that the provision of credit to SMEs contracted as a result of the COVID-19 pandemic. This provides a rationale for the expansion and adaption of state supported lending schemes during this period. CBAs of some schemes (e.g. FGLS) carried out by DETE have indicated positive benefit to cost ratios based on projected cash flows, although the FGLS is not a working capital facility specifically targeted at firms exposed to the

pandemic. Once observations of actual ex-post cash flows are available in a number of years, it will be possible to determine the net benefit of loans to SMEs and the economy as a whole compared to alternative enterprise supports such as wage subsidies or direct grants. Analysis of observed cash flows during the life of loan schemes, prior to their reaching maturity, could also be used. The benefit of State Supported Lending Schemes compared to other enterprise supports will ultimately be impacted by factors such as sector specific exposure to the pandemic, the speed of recovery, what working capital loans are used for, and the degree to which the debt burden of working capital loans potentially slows future productivity or results in loan defaults.

Research by DETE will evaluate the financial and economic additionality of state supported lending. This is expected to quantify the value of these schemes, aiding discussion regarding the rationale for future loan guarantee schemes. Importantly, the extent of state supported lending, and changes therein, must be viewed in the context of a suite of enterprise supports that currently exist as part of the national response to the COVID-19 crisis. Additional research being carried out by DPER will focus on evaluating the broader set of enterprise supports, inclusive of state supported lending schemes.