



Rialtas na hÉireann
Government of Ireland

National Economic Dialogue 2023

The economy in 2030: enabling a sustainable
future for all

Chair's Report

Hosted by the **Department of Finance** and the **Department of Public
Expenditure, National Development Plan Delivery and Reform**

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REPORT OF THE CHAIR

Professor Carol Newman

INTRODUCTION

The eighth National Economic Dialogue took place on June 12th, 2023, at the Printworks, Dublin Castle. The overall outlook was one of optimism about the forthcoming budget but with a clear acknowledgement of the vulnerabilities and risks facing the Irish economy and the medium- to longer-term structural challenges on the horizon.

The Dialogue received contributions from a number of members of government including An Taoiseach Leo Varadkar; An Tánaiste, and Minister for Defence and Minister for Foreign Affairs Micheál Martin; Minister for Finance Michael McGrath; Minister for Public Expenditure, NDP Delivery and Reform Paschal Donohoe; and Minister for Environment, Climate and Communications and Minister for Transport Eamon Ryan. The theme for the Dialogue was “The economy in 2030: enabling a sustainable future for all”. In setting the scene, the Ministers for Finance and Public Expenditure, NDP Delivery and Reform emphasised the need to look beyond the positive headline figures and consider the medium to longer-term factors facing the economy summarised in the four Ds: demographic change, decarbonisation, digitalisation and de-globalisation, providing a basis for the discussions for the rest of the day.

The structure of the Dialogue was as in other years with breakout sessions chaired by various Ministers which allowed participants to take a deep dive into specific topics. In the afternoon session, the rapporteurs from each breakout session provided a debrief to the plenary session, summaries of which are provided in the Appendix. The Dialogue concluded with an open plenary session during which Ministers received questions from the floor.

My summary focuses on bringing together common topics that emerged in relation to the overall theme of the Dialogue, *Enabling a sustainable future for all*. The contributions during the Dialogue were wide-ranging and there was broad consensus on the need to plan appropriately for the medium to longer term to ensure the necessary safeguards are in place to protect the economy against structural pressures.

Many of the points raised, particularly during the plenary session, focussed on the upcoming budget and understandably reflected the interests of the stakeholders in question. It is impossible to include all of the detailed contributions here. Still, before shifting focus to the medium- to longer-term issues it is worth noting some of the key topics relating to the current budgetary cycle that received broad consensus.

It was broadly agreed that a budget surplus should be run in 2024 and that the emphasis should be on budgetary reform and more efficient use of public income rather than stimulus given that the economy is at full capacity. Many contributions emphasised that investments in public services should be prioritised over tax cuts, particularly given the impact of the cost of living crisis on the most vulnerable groups who are largely outside of the tax net. The most pressing issue that was highlighted was the urgent need to address bottlenecks and capacity

constraints, in particular in relation to housing and infrastructure. Indeed, housing emerged as the most crucial issue both for the immediate future and the medium to longer term. The risk posed by the dependency on corporation tax receipts also received much attention with broad agreement that windfall corporation tax receipts should be set aside for investment in a form of national wealth fund or infrastructure fund. While more macroeconomic issues did not receive much attention, the risk posed by inflationary pressures, particularly in the context of full employment, was acknowledged. The need to avoid exacerbating domestic inflation while at the same time maintaining the spending power of income, particularly for those at the lower end of the income distribution was emphasised.

The remainder of this summary focuses on five general themes that emerged during the Dialogue in relation to the medium- to longer-term issues. These are:

1. Open engagement and dialogue
2. Ensuring a just transition
3. Housing
4. Investing in people
5. Coordinated action-based policy

THEME 1: OPEN ENGAGEMENT AND DIALOGUE

A common theme throughout the Dialogue was the importance of open engagement and collaboration between government and stakeholders in co-designing policy solutions to the structural challenges facing the economy. This is particularly the case where balance needs to be struck between often competing economic, environmental and social dimensions, for example in the case of achieving environmental sustainability. There was broad agreement that addressing these structural challenges will require cooperation across Government Departments and prioritising cross-sectoral issues, such as decarbonisation, housing and demographic change, will generate the largest return. Generally, a principles-based approach that sets out the agreed broad positions is an important starting point for building social cohesion.

THEME 2: ENSURING A JUST TRANSITION

The major structural challenges facing the economy, captured by the 4Ds of digitalisation, demographics, decarbonisation and deglobalisation, will lead to winners and losers and, in all domains, ensuring a just transition emerged as a key theme. While often thought about solely in the context of decarbonisation it was clear from the discussions that a just transition is also a key consideration in relation to other social and economic challenges. The challenge that decarbonisation places on particular sectors of the economy, most notably agriculture and the knock on effects for rural and farming communities, small businesses and the impact of high energy costs on households, were all raised as important in managing the transition.

The importance of a just transition in the context of digitalisation was also prominent. While digitalisation and advances in artificial intelligence (AI) will lead to increases in productivity, the digitalisation transition will lead to a compositional change in jobs and may exclude members of society that do not have the skills to engage in the digital world, for example the elderly or disadvantaged job seekers. This was highlighted also in relation to the adoption of digital technology in public employment service delivery.

Intergenerational equity was highlighted as a sub-theme of the just transition. There was general acknowledgement of the disproportionate burden of decarbonisation and demographic change on the young and the next generation with calls for investment in young people to ease this burden. The need to plan appropriately for an aging population, particularly in relation to future health and pension costs also received much attention. It emerged in more than one breakout session and in many of the comments that older people should not be considered a burden but a resource that can contribute positively to the transition process.

The disproportionate impact that structural challenges have on women in society was also highlighted with calls for a prioritisation of investments in public services that address gender inequities such as universal childcare provision.

THEME 3: HOUSING

A full breakout session was devoted to the issue of housing, but it also emerged as a key cross-cutting issue. The lack of affordable housing is a key social challenge, but housing shortages are also a key economic challenge affecting business and Ireland's competitiveness more generally. Recruiting and retaining skilled labour has become increasingly difficult due to a lack of affordable housing leading to labour supply shortages and rising labour costs. This significantly adds to the cost of doing business in Ireland and threatens the profitability and sustainability of indigenous Irish enterprises. There was general consensus that housing should be a top priority of government, with a wide range of views expressed on how to address the crisis.

THEME 4: INVESTING IN PEOPLE

Investing in skills and lifelong learning was highlighted as essential in tackling the structural challenges associated with the 4 Ds. New skills will be required to manage the carbon transition, embrace digitalisation and the adoption of AI technologies, manage demographic change and address the housing crisis. This will require the development of new pathways in education. In addition to calls for greater investment in higher education, some specific initiatives that received broad support include: 1) investment in developing digital skills prior to entry into higher education or the labour market with a potential role for active labour market policies in this regard; 2) increased emphasis on apprenticeships as an alternative to higher education and promoting construction as a career at second level; 3) promoting more links between the requirements of business and education particularly in relation to transferable skills; 4) greater inclusion of underrepresented groups, in particular women, in both apprenticeships and in Science, Technology, Engineering and Maths (STEM) subjects; 5) a move towards continuous and life-long learning, in particular among the older population; 6) investment in research to ensure that sectoral responses are at the frontier of scientific knowledge.

THEME 5: COORDINATED ACTION-BASED POLICY

There was a general view that urgent action is needed on a number of key issues including decarbonisation, infrastructure delivery, in particular housing, distributional issues, meeting sustainability targets and building resilience. There were calls for a better planning and regulatory system involving all public sector agencies and appropriate resourcing of the public sector so that the pace and quality of public service delivery can be improved. A clear set of

coordinated policies with specific actions are essential for tackling these challenges in a cross-cutting way that inspires confidence and provides certainty to households and businesses as they cope with the current challenges and plan for the future. Concerns were raised over the pace at which policy is implemented with calls for investment in processes and a reduction and simplification of the bureaucracy involved. While there was a general consensus across all groups that long-term investments are needed, it was also highlighted that a short-term roadmap that is actions-based is necessary.

CONCLUSION

The National Economic Dialogue provides an important forum for stakeholders to participate in an open and inclusive exchange with Government on the economic and social priorities facing the country. There was broad agreement on a number of key issues of relevance for Budget 2024. The capacity constraints in the economy and inflationary pressure were acknowledged as key immediate challenges as was the risk associated with an over-reliance on corporation tax receipts. There was also broad consensus on the importance of prioritising public expenditure over tax cuts. The aim of the Dialogue, however, was to go beyond discussions about the short-term immediate concerns and there was significant engagement from all participants on the medium- to longer-term structural challenges.

In setting the scene for the 2023 National Economic Dialogue the structural challenges facing the economy were summarised in 4 Ds: demographic change, decarbonisation, digitalisation and de-globalisation. Throughout the discussions of the day, the two most prominent Ds that emerged were Decarbonisation and Demographic Change. There is a huge willingness and desire across all sectors to contribute to the decarbonisation agenda which affects all aspects of society and the economy. Indeed, in relation to environmental concerns there were calls for a fifth D to be added to the list of structural challenges namely Destruction of Nature with the need to restore biodiversity highlighted as a priority. In relation to Demographic Change, the aging population and its effect on the young and future generations received much attention. The need for investments in housing, infrastructure and services to ease the burden on young people, investments in the health and pensions system to prepare for an aging population, in addition to investments in lifelong learning for the older population were raised as important priorities.

The issue of digitalisation as a structural challenge cross-cut most issues, in particular in relation to future competitiveness challenges, and managing the transition in a just way that ensures inclusion for all groups in society, particularly the marginalised was emphasised. Perhaps surprisingly, the 'D' that received least attention during the Dialogue was the threat of deglobalisation and what that means for Ireland's open economy. It is worth noting that both the Taoiseach and the Tánaiste emphasised the importance of international trade and our integration with the global economy both now and in the future in their speeches.

Throughout the Dialogue there was an overwhelming emphasis on the need to manage whatever structural changes the economy faces in a just and fair way. Indeed, the prominence of distributional issues in all discussions potentially warrants the addition of another D to the list of potential structural challenges, namely Distributional Inequity.

Overall, the 2023 National Economic Dialogue allowed for an engaging discussion among all participants not only on the immediate short-term priorities but also on how to prioritise and start to address the medium to longer term structural challenges facing the economy. The stage has been set for continued dialogue and engagement on these crucial issues into the future.

APPENDIX: REPORTS FROM THE BREAKOUT SESSIONS

Please note these papers have been prepared as a contribution to the discussions in the breakout sessions at the National Economic Dialogue. They should not be seen as prescriptive, but rather seek to set out the current factual situation and to suggest some of the key questions which participants may wish to consider.

BREAKOUT SESSION 1: SUSTAINABLE PUBLIC FINANCES AND MEDIUM-TERM GROWTH

CHAIR: MINISTER FOR FINANCE, MICHAEL MCGRATH, T.D.

RAPPORTEUR: MR. SEAMUS COFFEY, UNIVERSITY COLLEGE CORK

INTRODUCTION

This was a wide-ranging discussion with many aspects of economic and budgetary management introduced by contributors. In all, twenty-four speakers made interventions. All speakers are to be complimented on the respectful and reflective nature of their contributions though this should not be taken to mean there was unanimity in the route forward to be taken.

The session was opened with brief summary of the economic context for the discussion from John McCarthy, Chief Economist in the Department of Finance. At a macro-level, the economy is in good shape. The recovery from the lifting of restrictions has been strong, with few scarring effects from pandemic. At an aggregate level, the economy has absorbed the energy price shock better than might have been expected, though there remain significant microeconomic impacts.

The risks to the Department's forecasts are firmly tilted to the downside, with the Euro Area economy stagnating, and with transmission lags in monetary policy meaning worse may be to come. The biggest downside risk domestically is the possibility of inflation becoming entrenched. On the fiscal side, the positive headline picture masks underlying vulnerabilities, with government debt one of the highest in the world on a per capita basis. There is a huge concentration risk amongst top ten Corporate Tax payers, with the Department estimating up to €12 billion being windfall. Also, uncertainty persists from OECD's base erosion and profit shifting (BEPS) process. The summary concluded by noting that, in general terms, the forecasts are positive, but they are baseline scenarios and there are tail end risks as seen in the last few years. Considering such risks, the public finances are not bullet-proof.

1 MEDIUM-TERM CHALLENGES

While there was understandable focus on the upcoming budget, most contributors referenced the medium-term challenges faced by the economy. These include capacity constraints in housing and the labour market, the increased health and pension costs related to aging, the need to transition the economy in response to climate change and the well-recognised risks to Corporation Tax revenues.

For Overseas Development Aid (ODA) it was pointed out that Ireland has committed to reach a medium-term target of 0.7% of GNI. We are still only at 0.4% of GNI. To progress towards this target, a call was made for a €305m increase to ODA in Budget 2024. A separation of climate finance and ODA was also mooted on a few occasions.

With the publication of results from Census 2022 it was pointed out that the National Planning Framework projections need to be reviewed and can now be considered as out of date. The

increased population points to a need for a greater level of services and infrastructure but we need a better resource planning system with all public sector agencies involved.

A call was made for the Government to officially respond to the recommendation of The Commission on Tax and Welfare to increase government revenue as a share of national income over the medium term.

Corporation Tax was frequently linked with uncertainty. It was pointed out that there is uncertainty around the ongoing BEPS process and what impact, if any, the move to 15% under Pillar Two will have on inward investment. On a specific matter it was highlighted that Ireland is the only EU country that does not operate a territorial tax system and that this may be affecting MNE investment decisions. The issue of what to do with the excess Corporation Tax receipts arose at other times in the discussion. The Governor of the Central Bank also highlighted potential concentration risks with Income Tax because it is largely the same set of firms driving increases in both.

There is also the issue of externalities arising from Ireland's Corporation Tax regime. One such potential impact is the siphoning of revenue out of the exchequers of developing countries. In 2014, the Department of Finance commissioned a review of negative externalities of Ireland's Corporation Tax policy on developing countries, and there were calls for that exercise to be updated. It was also suggested that Ireland should look at the impact of BEPS through a wider scope than just what is the impact on Ireland.

2 WHAT TO DO WITH THE BUDGET SURPLUS

There was no disagreement that a budget surplus should be run in 2024, with some contributors going into more detail on the composition and measurement of that surplus. This was particularly so in relation to the cyclical position on the economy and the temporary nature of windfall Corporation Tax receipts.

A budgetary approach that:

- Provides resources for the sustainable provision of State services and supports;
- Increases the envelope for capital spending; and
- Sets aside some excess Corporation Tax receipts in a form of national wealth fund

was broadly endorsed by the session. There were differences in the respective weights to be given to each of these with some setting forward the view that a share of the windfall Corporation Tax receipts could be ring-fenced for one-off or temporary measures. This has been allowed for in recent years with allocations for temporary "non-Core" spending in response to COVID-19 and the arrival of refugees from the war in Ukraine.

The need to avoid overheating the economy and stoking domestic inflation was raised by several contributors. The community and voluntary sector referred to the difficulties in retaining staff in the current full-employment environment.

Few revenue-raising measures were proposed during the session except for a couple of references to increases in employers' PRSI contributions. The increase in the rate of Corporation Tax paid by large companies to 15% was seen as a measure that could potentially raise revenue but as indicated above the overall impact of BEPS 2.0 remains highly uncertain.

There were a number of calls for changes to the tax system that would reduce revenue. On the income tax side these included increasing the standard rate cut-off, reducing tax on rental income for landlords, and the extension of the reduced Value-Added Tax (VAT) rate for the

hospitality sector. There were a number of more targeted measures including Capital Gains Tax (CGT) relief for those setting up new ventures and a need to distinguish within the tax code the treatment of tangible and intangible assets for SMEs and entrepreneurs. A separation of the CGT treatment when investing in publicly-quoted versus privately-held businesses was also mooted.

There was a call for tax incentives for people with significant wealth to provide funds to the charitable sector. On revenue raising there were also calls to reduce the reliance on tax expenditures and reliefs which are rarely justified.

In some instances, the proposal for a national savings fund was seen as a vehicle for further public spending with proposals for spending via such a fund in agriculture, housing, and the climate transition. In the case of Norway's sovereign wealth fund, it is noted that there are rules in place that prevent any of the fund's resources being invested domestically. Calls were also made to use the surplus in the National Training Fund to try and build capacity and address a number of bottlenecks, some of which are due to the slow catch-up of public investment after the post-2008 cuts.

Some concerns were raised about setting aside temporary Corporation Tax receipts for future health and spending as they will be ongoing requirements and not temporary. Such concerns could be allayed if it is income from the funds rather than the capital amount itself that is used to help meet these costs. It is also the case that we simply do not know how much of the current Corporation Tax receipts are transitory.

The impact of inflation was a common theme across the session with the need to maintain the real spending power of income, especially of those at the lower end of the income distribution, frequently referenced. One of the more defined proposals was for a €25 increase in all welfare rates to maintain the spending power of these payments. Others pointed out that due to the inflation already seen the spending the real value of payments has fallen, though this was somewhat offset by one-off measures. For Budget 2024, it was proposed that welfare rates be restored to 2020 spending power levels. In fact, linked to the medium-term challenges referenced above there were calls to benchmark and index welfare rates on a medium-term basis.

3 MINISTER'S RESPONSE

Minister McGrath noted that the framing of the Summer Economic Statement has a key issue around expenditure growth. Irish Fiscal Advisory Council (IFAC) is arguing to fully re-instate the 5% spending rule, based on 3% growth and 2% inflation. The Government departed from that last year and will have to decide on that for Budget 2024. The Minister noted that it is a net spending rule, so can expand the expenditure envelope through revenue raising.

The standstill costs are growing, including demographics, National Development Plan increases, the full-year cost of existing public pay deal, which the Minister hoped will be followed by a new deal. When these are factored into the spending rule, there's very little room left for new measures.

On the windfall receipts, the Minister welcomed contributions, acknowledged that there are some different views, but that there was broad agreement not to use windfalls for recurring expenditure or tax measures. Then it is about striking the right balance.

The Minister noted that any national savings fund set up will deliver an annual return that can contribute to annual demographic costs down the line – but will not meet all of them. A

Department of Finance paper shows in illustrative terms what could be achieved based on different rates-of-return and contributions. The Minister said they are also looking at what more can be done on capital spending from the windfalls but this has to be balanced against the reality of capacity constraints. It may be valid to shift the priority of where resources are directed but value for money has to be maintained. The Ireland Strategic Investment Fund (ISIF) is also there and has a capacity to do more.

On other issues, the Minister reiterated that the OECD BEPS process is still to be fully settled and the final shape of a deal will have a critical bearing on final costs for Ireland. On SMEs, the Department is examining what can be done to achieve a better-balanced economy. The Minister stated that he accepts the Commission on Tax and Welfare's overall point regarding the need to raise revenue and will be setting out a full response to the report in Budget 2024. Overall, he stated that he is looking at how to use tax as a lever to accelerate change that we know must happen, such as climate action. On the National Training Fund, the Minister noted that there is nothing stopping the fund being spent, but it does not create additional capacity within the spending rule – officials are looking at that.

Minister McGrath stated that sentiment does matter and having sustainable public finances leads to cheaper borrowing costs, which also contribute across the economy. Minister McGrath also acknowledged though that living standards did fall for some people, despite all the work the Government did. Also heard the point about the need for good public services in areas such as healthcare, housing, social protection, education, and that sound public finances will facilitate this.

In concluding, Minister McGrath noted that international fora he attends do give a wider view on some of the issues that were raised, not least development, climate, trade etc. As such an open trading economy, Ireland has a lot of skin in the game on those big issues at international level. On the domestic front, Minister McGrath stated that in general there is not a need for stimulus – the economy is at capacity. There is a need for a focus on reforms, including removing bottle-necks to allow greater capacity. The Government needs to make smart decisions to protect us in the future.

BREAKOUT SESSION 2:

SUSTAINABLE SPENDING THROUGH A MULTI-DIMENSIONAL WELL-BEING FRAMEWORK

CHAIR: MINISTER FOR PUBLIC EXPENDITURE, NDP DELIVERY & REFORM, PASCHAL DONOHOE, T.D.

RAPPORTEUR: PROFESSOR ORLA DOYLE, UNIVERSITY COLLEGE DUBLIN

INTRODUCTION

This session focused on how to maximise the impact of public expenditure and public services in a sustainable way. In recent years, within the budgetary process, there has been a shift away from focusing on inputs to focusing on outputs and more importantly, impacts. In addition, there is an increased consideration of the distributional, environmental, and well-being impacts of public spending, as highlighted through the application and use of equality, green, and well-being budgetary processes. Overall, it is less about how much we spend, but rather whether such spending is cost effective and whether it has distributional impacts for both citizens and the environment.

The session began with the Minister providing an overview of the main issues to consider during the session. Firstly, the importance of identifying key cross-sectoral policy issues. The Minister noted that many policy areas are indeed cross sectoral, but it is the aim of Government to distil down and focus on higher order priorities. Secondly, maximising the efficiency and effectiveness of existing public expenditure. The Minister noted the need to focus on the totality of government spending and not just incremental or new measures that are introduced in each budget. Thirdly, measuring performance in service delivery. The Minister noted that performance is currently measured through the publication of the Public Service Performance Report which is a single volume detailing the outputs of all Government departments, however some data, such as metrics in the Well-being Framework are harder to access. And finally, building Ireland's resilience to outside risks and challenges. The Minister noted that a balance must be achieved between running a budget surplus and spending on current needs, in particular the Minister noted the importance of avoiding significant budget cuts in the case of a future downturn, as was required during the last recession. Within the current budgetary process, Ireland needs to consider its relationship between economic growth, capacity constraints, and planning for the future.

Next, the Minister invited contributions from the floor. In total, 30 contributions were made. These discussions were constructive, well-ranging and respectful. While all 4 'Ds' were discussed (demographic change, decarbonisation, digitisation, and de-globalisation), the issue of demographic change was most prominent in this session. There were also calls to add a fifth 'D' – Destruction of Nature - and to widen out green budgeting to include biodiversity loss. The common thread that emerged throughout the session was that investing in cross sectoral issues are likely to generate a large return and that we need to capture how investment in one domain, for example, housing, is likely to have positive impacts in other domains, for example, employment.

The discussion can be summarised under four inter-related themes: 1) Building social cohesion through public engagement, 2) Engaging in prevention and planning, 3) Investing in skills development, and 4) Measuring the impact of existing and new spending. This document discusses each of these themes below.

THEME 1 BUILDING SOCIAL COHESION THROUGH PUBLIC ENGAGEMENT

Society faces a number of transitions and transformations in the coming years around demographic change, decarbonisation, digitalization, and deglobalisation. Naturally from these transitions, there will be winners and losers. The participants emphasised the need to maintain social cohesion in the face of such disruption and to ensure public services are responsive to this. In other words, investment should focus on ensuring a just transition. While a just transition is often discussed in the context of decarbonisation, participants noted that a just transition was also required for digitalization. In particular, there is the need to consider the distributional impact of these challenges, and how these transitions will impact different groups in different ways, for example older people, people with disabilities, those who lack digital skills, children and young people, amongst others. The participants recognised and appreciated the Government's use of equality budgeting when making budgetary decisions, but they also recommended 'inclusion proofing' all policies from the outset. An example given was the use of universal design, whereby all new infrastructural developments (e.g. public transport) are designed to be accessible by all citizens. There was also a discussion around a 'hierarchy of inequalities', with a sense that some areas of disadvantage are given greater consideration in policy making than others. For example, Government considers aging as a key challenge of demographic change, but not disability. While Ireland is currently in full employment, the unemployment rate remains persistently high for people with disabilities.

There was a broad consensus that social cohesion, and in particular intergenerational solidarity, was important given current demographics trends. Population growth, coupled with an increase in the number of older people, will place significant pressure (as well as opportunities) on public finances regarding pensions and health. It was recognised that the best way to ensure such cohesion is through public engagement at multiple levels. Participants noted the need to ensure that the voice of those affected by change are heard through the Citizens Assembly and wider community engagement. For example, public debate and discussion should take place on how Ireland as a country should engage with emerging technologies. Participants also noted the need for more social dialogue, collective bargaining, and a renewed social contact. In particular, some participants noted the rising divergence between younger and older citizens, and that young people are facing particular challenges around housing tenure that older people are not. Given the demographic change, a vibrant and active work force of younger people is required to ensure adequate financing of the pension and health system into the future, thus intergenerational solidarity, and supporting young people to remain in Ireland, should be a priority.

THEME 2 INVESTMENT IN PREVENTION AND PLANNING

Another key theme concerned ensuring sufficient investment in prevention and planning to avoid crisis management. A number of participants stated examples whereby agencies and services can become overburdened when citizens face crisis events. It was argued that many of these cases are foreseeable, therefore adequate planning and resources should be in place to either prevent these issues from arising or having supports in place when they do occur. It was noted that certain groups in society are more vulnerable to experiencing crisis situations such as those on low incomes, people with disabilities, and older people. It was recognised that investing in foreseeable scenarios which may have costly implications both for the individual and the state, would be less costly in the long run, as well as reduce inequalities across groups.

Participants noted a positive example of this approach through the formation of the Child Poverty Unit within the Department of Taoiseach. Participants commended the Government for adopting an approach which focused on prevention early in the lifecycle. The Unit was cited as an example of a cross-sectoral initiative which is likely to have positive impacts on spending in other Government departments in the future. Investing in vulnerable families in order to reduce childhood poverty and improve well-being is likely to have knock on effects for Education, Health, Social Protection, and Justice in the medium to long term. Thus participants noted the importance of capturing the totality of cost savings across Government departments from the creation of such a unit. That said, some participants were concerned about the recent increase in child poverty rates and recommended that Budget 2024 is a 'children's budget'. Echoing the first theme above, participants noted the importance of engaging with children in this process.

Participants noted that a similar approach may be required to address our aging population and planning for the future, with calls for a Commissioner for Aging to be established. Investments in capital infrastructure to address this demographic change in regards new hospitals, more accessible public transport and housing, public care homes, were also raised. There were also calls to reframe public dialogue around aging and older people and to move away from conceptualising older people as a 'burden', but rather a resource.

THEME 3 INVESTING IN SKILLS DEVELOPMENT

The third main theme to emerge was the need to invest in skills development and lifelong learning in order to successfully address the challenges of the 4 'Ds'. In particular, the transition to decarbonisation and digitalisation will require the development and adoption of new technologies. It was recognised that investments in education and upskilling at all levels are required to ensure that no-one is left behind. For example, participants noted that everyone in society should be educated about the need to adopt new practices and technologies and the consequences of failing to do so. Hard policy decisions are likely to be more acceptable if everyone in society understands the issues at play. Thus, there is a need to educate the public about these challenges to ensure democratic debate around how we as a society want to operate. Participants noted that upskilling was also required in the specific sectors that are more likely to be affected by the transitions e.g. agriculture. In addition, education and training are also required for those whose work may indirectly impact these sectors, such as planners. Consideration should also be paid to particular segments of the population for whom the transition may be particularly difficult e.g. those who lack digital literacy skills. Investment is also required in higher level institutions to ensure we have the 'deep experts' or scientists to develop and implement these new technologies. It was noted that these experts and scientists should be available to work directly in the public sector, and that currently too often there is a reliance on external consultants in particular sectors (e.g. health). Recognition of the importance of the community and voluntary sectors in service delivery was also noted. Some participants noted the emerging gap between directly funded public services and those provided through other bodies/agencies (albeit funded through State grants). This divide can pose issues for staff retention and divergence in quality of services. It was acknowledged that Ireland has a highly skilled workforce (in public, private, and voluntary sectors), yet there is a need to future proof this workforce to address the challenges of the 'Ds'.

However, our ability to attract and retain high skilled workers depends on the provision and quality of both infrastructure and public services. Many participants noted the housing crisis as an impediment to ensuring essential and high skilled workers remain in Ireland and locate in areas close to their workplace. This would ensure the labour required to manage the transitions, as well as generate positive impacts on the environment due to reduced commuting. It was also noted that better public services and social protection are required,

both to ensure social cohesion and reduce outward migration. It was recognised that Ireland faces many challenges regarding essential services, for example waiting times for health care. The hybrid nature of our health system and the need to provide equal access to care was also noted, particularly around mental health.

THEME 4 MEASURING THE IMPACT OF EXISTING AND NEW SPENDING

The final theme concerns the need to measure the impact of both existing and new policies. There was a consensus among participants that evaluating the effectiveness of public spending is essential, especially if resources become more constrained in the future. Participants appreciated the increase in spending in recent years, yet recommended that it was imperative to evaluate the impact of this spending on the day to day experiences of citizens. Participants appreciated the government's efforts in this area, for example in the Well-Being Framework analysis and the Public Service Performance Report, but there was a sense that this information is not always being used to inform decision-making, for example, around income inequality. Participants noted the importance of investing in, analysing, and using data to inform decision-making, and conducting a programme-by-programme review of policies and services whereby resources are redeployed from less effective to more effective initiatives. The importance of data sharing across departments was also noted.

CONCLUSION

The session concluded with the Minister observing that it was extremely valuable to hear from diverse stakeholders representing different segments of society and that the discussion provided a number of using points to consider as they formulate budget spending moving forward. Overall, it was an engaging session involving a wide range of stakeholders discussing their views around a number of important areas. There was a consensus that Ireland is in a very healthy financial position and this provides opportunities to invest both in infrastructure and services, while also ensuring adequate resources are in place for the future. However, participants are cognisant of capacity constraints and blockages in the system which can hamper public spending and investment. There is a need to identify blockages in the delivery of infrastructural projects and services and redesign processes to address these, as demonstrated by the recent changes initiated around delivering the National Development Plan. For example, Government could conduct 'sludge audits' to identify where inefficiencies exist in government initiatives/policies.

BREAKOUT SESSION 3:

CHARTING A SUSTAINABLE PATH TOWARDS ACHIEVING OUR NATIONAL CLIMATE ACTION OBJECTIVES

CHAIR: MINISTER FOR THE ENVIRONMENT, CLIMATE AND COMMUNICATIONS, AND MINISTER FOR TRANSPORT, EAMON RYAN,

RAPPORTEUR: PROFESSOR ELEANOR DENNY, TRINITY COLLEGE DUBLIN

INTRODUCTION

The Minister opened the workshop and welcomed the diverse groups that were represented and recognised that it is critical to listen to all views and work together on solutions. The Minister referred to the recent EPA report and emphasised the need to accelerate and be ambitious in meeting our targets. He noted that we are already starting to see real change, particularly in areas such as renewable energy and retrofitting and shouldn't be despondent. He welcomed the opportunity to engage with the diverse groups represented in the session to progress transformative change.

The session was broken into discussion on three sectoral areas 1) Agriculture and Land Use, 2) Energy sector and 3) Transport sector. The Minister made short opening remarks to introduce each sector and then opened the floor for contributions. The contributions were diverse and considered, while not always in agreement. Throughout the discussions, three themes emerged which were

1. A willingness for open engagement and dialogue
2. A just transition
3. Investment and policy certainty

This report captures the inputs across the session into these consolidated overarching themes

THEME 1: A WILLINGNESS FOR OPEN ENGAGEMENT AND DIALOGUE

There was broad agreement for a willingness to engage in open dialogue and a sentiment that the public service is at its best when it breaks down silos and engages openly. There are many areas of agreement across the sectors and a principles-based approach, where parties start with the broad positions in which they are agreed, will assist with progress towards delivering on targets. Dialogue should aim to break-away from reinforcing polarising positions, and the media have an important role to play in this regard. Examples provided of agreed broad positions that were raised in the discussion included a need to restore nature and water quality, a need to reduce emissions, and the importance of securing a future for family farming and rural communities.

THEME 2: A JUST TRANSITION

The second theme was that the path to decarbonisation impacts every person and every sector and therefore must adhere to the principles of a 'just transition'. The work of NESC in relation to Just Transitions was mentioned frequently as a good model for engagement across the pillars and there were numerous calls to advance the establishment of a Just Transition Commission. There were a large number of examples highlighted in the discussion in terms of areas that should be given particular consideration with respect to a 'Just Transition' in the decarbonisation process, including:

- The importance of supporting those in social housing and people experiencing fuel poverty
- The consideration of gender inequality issues across all sectors in the decarbonisation transition
- Demographic change and the need to include all age groups in the change
- The importance of small enterprises in Ireland's social fabric and the need to protect local businesses in the transition
- The burden of decarbonisation on rural and farming communities

In summary, there was a broad sense that there is an opportunity to address other social inequalities, such as those highlighted above, as part of the climate transition i.e. use the opportunity to go beyond a 'green' version of the status quo.

THEME 3 INVESTMENT AND POLICY CERTAINTY

The discussions indicated a large number of areas requiring increased investment to unlock bottlenecks and increase the speed of delivery of our national climate objectives. These discussions focussed around the following three high-level areas:

- a) Investment in people and skills
- b) Investment in processes
- c) Investment in actions

A common thread in the discussion included action on a number of policies, and these discussions are summarised below under subsection d) Policy certainty.

a) **Investment in people and skills**

Investment is needed in our young people who will be carrying the burden of delivering much of the required change to support the climate transition and support nature restoration. They need investment in skills and training to enable them to thrive in delivering the transition across all sectors. Skilled labour shortages were highlighted as a key barrier to achieving objectives; ecology skills, retrofitting skills and expertise in heat pumps were highlighted as particular examples.

It was also highlighted that investment is required in public research, development and innovation in our Higher Education Institutions to develop the skills and technology required to deliver on our climate objectives. It was noted that Ireland has the potential to have a competitive advantage in a large number of skills and technology areas related to

decarbonisation and nature restoration but invests considerably less in Higher Education and research compared to other countries.

b) Investment in our processes

Some of our processes were described in the session as being 'like glue' which is slowing action and acting as a deterrent for engagement. The public sector has not grown to keep pace with the transformative changes required to decarbonise. Investment is required to increase capacity and reduce bottlenecks across the public service to enhance delivery, with the following areas highlighted in the discussion in particular: planning, regulation, legal, and procurement processes and systems.

In the discussion on this topic, it was also highlighted that the burden of compliance and transition is particularly onerous on small businesses who don't have the resources, for example a dedicated legal department, to manage the lengthy and onerous processes currently in place. The sentiment was that many small businesses may fail on the Environmental, social, and corporate governance (ESG) journey, not because they are not successful businesses but because of a lack of ESG support. Similar frustrations with bureaucratic processes were also raised in relation to the forestry sector. Further support should be made available to reduce the administrative burden and streamline the processes required.

c) Investment in actions

The discussion here focussed on the investment required in nature restoring activities and climate actions. Support is required for change programmes, infrastructure and diversification across all sectors. Opportunities were also highlighted to repurpose and renew existing infrastructure and resources. Examples of the above measures which were provided in the discussion included:

- Investment in energy improvements in social housing
- Expansion of eligibility for fuel allowances
- Support for solar deployment, particularly in the agricultural sector
- Investment in district heating and pilot projects, such as in thermal storage
- Investment in anaerobic digestion advancement
- Investment in the refurbishment of derelict properties
- Investment in connected cycleways and reallocation of road space, and a move beyond greenways to active travel networks
- Investment in rural public transport – an increase in services is required but regularity and reliability are also key
- Investment in sustainable school transport options
- Further examination required into freight transport and biofuels, and the usage of our rail and port infrastructure for freight

d) Policy development and certainty

Many investments to be made in decarbonisation are long-term investments, and further regulatory certainty is required to provide confidence for businesses and industry to undertake

this investment. Related to the comments made on the need to “Invest in our Processes”, the lack of policies in some areas, the delays in updating old policies and the challenges with implementing existing policies are eroding confidence and support for action. Policy areas requiring further attention which were discussed included the following:

- A Freight strategy is needed
- An all-island strategic rail review is required
- Commitment to an end-date for phasing out of gas boilers
- More pro-active policies around the use of cross laminated timber for construction
- Opportunities for natural capital accounting
- Further consideration required in relation to policies around data centres
- Frustration was expressed that the Planning Bill did not do enough to ease the challenges of developing renewable energy in Ireland.

CONCLUSION

In conclusion, the session provided a broad and wide-ranging discussion which clearly demonstrated the willingness for open engagement and dialogue by those sectors represented. There was general consensus that the climate issue is urgent and nature restoration is critical. Business as usual is not an option moving forward. Communication and engagement will be key in bringing all stakeholders along and in facilitating the change in behaviours and diversification of business activities which will be required.

BREAKOUT SESSION 4

BUILDING A COMPETITIVE BUSINESS ENVIRONMENT

CHAIR: MINISTER FOR ENTERPRISE, TRADE AND EMPLOYMENT,
SIMON COVENEY T.D. AND
MINISTER FOR FURTHER AND HIGHER EDUCATION,
RESEARCH, INNOVATION AND SCIENCE, SIMON HARRIS T.D.

RAPPORTEUR: DR. CONOR O'TOOLE, THE ECONOMIC AND SOCIAL
RESEARCH INSTITUTE

INTRODUCTION

The session was opened by both Ministers who provided a contextual overview of the issues affecting the competitiveness challenge for Irish enterprises and the role of education and skills in driving business growth. The issue of both digitalisation and the carbon transition were at the forefront of the discussions but also a focus was put on the implementation of the White paper on enterprise and the requirement to help start-ups and entrepreneurs. Within the issue of competitiveness, the main challenges to the Irish business environment were discussed with the main strategic themes being the 4 D's of digitalisation, demographics, decarbonisation and deglobalisation.

The interlinkage with the skills agenda was then put forward and a focus given to the role of education and ensuring the correct skills for business to achieve growth. Part of this role will focus on providing pathways for all in education and move towards continuous life-long learning as a mechanism to invest in human capital. The discussion then focused on two main themes which encompassed the four questions outlined in the briefing document. These themes were:

- Key competitiveness challenges, long term investments and building a competitive economy for both indigenous and international firms;
- Investments in skills, lifelong learning, and the skills challenge of the future economy.

The rest of this document presents a summary of discussions under the aforementioned themes.

THEME 1: KEY COMPETITIVENESS CHALLENGES

The competitiveness challenge discussion focused on identifying the main issues that participants put forward as factors affecting the competitiveness performance. These critical issues were as follows:

- The housing market;
- Digitalisation and its impacts on the labour market;
- Climate change and the climate transition;

- Access to finance and the cost of financing;
- Indigenous enterprise supports; and
- Other issues including a competitive taxation system and the labour market.

The key points under each of these headings will be presented below.

HOUSING

The challenge of providing affordable housing for employees was noted as becoming a major binding constraint for enterprises. In an extremely tight labour market, with a high cost of labour, the issue of being able to find suitable and affordable housing is becoming more pertinent in employee decisions and becoming more challenging for firms. A number of examples were put forward relating to enterprises having to provide their own accommodation for employees, having to provide financial top-ups and other measures to retain staff given the current housing shortage. From a policy perspective there was an emphasis placed on the role of the state in providing the core strategic infrastructure to unlock housing such as water, utilities, and using strategic land banking (such as the role of the Land Development Agency (LDA)) in dealing with the challenge.

DIGITALISATION AND ITS IMPACT ON THE LABOUR MARKET

The second critical issue put forward was the issue of digitalisation, both in terms of its ability to enhance long term productivity growth but also in terms of the potential impact on the labour market. It is likely that the skills mix required will be very different to adapt to the new digital agenda and policy focus will be required to ensure that we can develop the skills that will be needed for the future labour market.

CLIMATE CHANGE AND THE CLIMATE TRANSITION

In terms of climate change, there was a considerable focus on the very real need to adapt businesses to ensure sustainability. However, a key consideration was the challenge that this was placed on businesses and a focus is required as to how to help firms manage that transition. In particular, specific challenges such as how to transition the stock of commercial properties (for example where businesses are all tenants) and how to get the incentives right. On the other hand, it was put forward that Ireland has very real advantages in many areas which it needs to leverage such as in terms of renewables from wind, solar etc. and this could be a major strength for the economy.

ACCESS TO, AND THE COST OF, FINANCING

The increasing interest rates globally have put pressure on the cost of financing. Within this context, the development of non-bank financing, and in particular the development of the venture capital (VC) sector was discussed by the group. Challenges about developing a sustainable VC culture in the absence of natural enablers such as very large firms who can invest and a small economy with few wealthy individuals were also discussed. More R&D financing was also called for SMEs as well as post VC exit financing mechanisms to have a healthy market for financial structure transitions and exits.

INDIGENOUS ENTERPRISE SUPPORTS

There was a number of points raised relating to supports for indigenous firms and in particular what policies can help to address development challenges for non-traded firms (non-Enterprise Ireland, IDA clients). There was also a discussion on how we prepare platforms for trading firms and help develop sectoral specialisations such as in bio-pharma, digital, climate and food. The full deployment of the SME test in terms of the impact of taxation and regulation measures was also put forward.

OTHER ISSUES

Other issues discussed related to the requirement to have a competitive taxation system in relation to both business and labour taxes. The issue of labour shortages was mentioned in the context of having a flexible work permit system. The issue of deglobalisation was also put forward and how Ireland should support a rules-based system and be open to trading and rules-based trade as part of our economic security. Supply chain resilience was also noted in a deglobalized world. Issues on collective bargaining and management capacity were also raised.

THEME 2: SKILLS, LIFE-LONG LEARNING AND HUMAN CAPITAL

The second major theme related to the issue of skills, life-long learning and human capital. In terms of skills, the challenge was to think about what are the skills requirements that will position us well in terms of the changing global economy and the future challenges that we face. A good guiding question was: what is the future workplace going to look like and what skills are going to be required?

The discussion covered a number of critical issues as follows:

- Linking business requirements and education
- Life-long learning and aging
- Multiple pathways and apprenticeships

The key points under each of these headings will be presented below.

LINKING BUSINESS REQUIREMENTS AND EDUCATION

There was a deep discussion around the potential to better link up the business community with the education sector and to have a closer alignment of the type of skills that are being provided to the needs of firms and enterprises. This can be sector specific in terms of the individual skill sets but also can be more general in terms of transferable skills, for example, in the Science, Technology, Engineering and Maths (STEM) subjects. The issue of improving financial literacy was also put forward as a requirement.

LIFE-LONG LEARNING AND AGING

In terms of lifelong learning, there was a general recognition of the requirement to move from a traditional linear model of education which occurs at a particular point in the lifecycle to a model that has multiple pathways across the lifecycle (life-long learning) with different skill sets. This can up-skill employees and allow them to transition in a fast pace changing business environment.

Supports were discussed in terms of helping businesses to support this as there are some firms who can afford to provide this training (both in financial terms but also the time loss of staff in smaller firms leaving to train) and others who cannot (it is extremely costly, and financing must be provided for small firms). Within this debate, there was a point presented on thinking about the issue of aging and older persons and how we need to think differently about older persons and their economic contribution. Pathways such as volunteering can help these groups.

MULTIPLE PATHWAYS AND APPRENTICESHIPS

In relation to the multiple pathways, there was an understanding of the need to have more trades and apprenticeships going forward. This is critical for the economy in terms of sectors such as housing facing capacity constraints. The discussion also noted the need to have a cultural change around the completion of apprenticeships and how to support the uptake of these professions in schools.

CONCLUSION

To conclude, issue of competitiveness and skills are crucial to the success of the Irish economy in a period of repeated shocks. The issues of demographic change, digitalisation, decarbonisation, deglobalisation provide major opportunities and challenges going forward. There was general agreement of the need to provide longer term solutions and the discussion brought out both these issues but also to think about a more short-term roadmap.

BREAKOUT SESSION 5: DELIVERING HOUSING FOR ALL: LONG-TERM TRENDS AND CHALLENGES

CHAIR: MINISTER FOR HOUSING, LOCAL GOVERNMENT AND HERITAGE, DARRAGH O'BRIEN T.D.

RAPPORTEUR: PROFESSOR MICHELLE NORRIS, UNIVERSITY COLLEGE DUBLIN

INTRODUCTION

The discussion at this session focused on the interrelated challenges of housing availability and affordability. Participants highlighted the sections of the population most negatively affected by these challenges, their negative knock-on social and economic impacts and also discussed how they can be addressed.

Participants raised particular concerns about the negative impact that these challenges are having for young people who are unable to move out of the family home because they cannot secure affordable housing and for businesses and public sector that cannot recruit staff due to lack of housing availability. In addition, the particularly acute challenges faced by low income and vulnerable households were also discussed. It was emphasised that no matter how well run services for homeless people are, they cannot solve the homelessness problem on their own because the level of homelessness is ultimately determined by housing supply. The need to provide additional accommodation to meet the needs of refugees fleeing the war in Ukraine was highlighted. Particular shortages of supply in cities, including Dublin were mentioned, but participants mentioned that housing supply challenges also exist in other regions where there is very little commercial house building. In addition, growing problems of unaffordability among households whose incomes are too high to qualify for both social housing and cost rental housing were highlighted.

THEME 1: REDUCING HOUSING DELIVERY COSTS

In view of the strong consensus among participants that the volume of house building needs to be increased, concerns were raised about the high costs of housing delivery in Ireland. Concerns were raised about the impact of these costs on the affordability of housing for households and the state and also for the viability of new housing development for the construction industry.

Participants identified a variety of factors that have contributed to high housing delivery costs. These include materials, labour, taxes, and land/ site costs. Measures to reduce these costs were then discussed in depth.

Construction industry representatives were pessimistic about the potential for this sector to contribute to reducing costs. They argued that materials costs are outside the control of the construction sector and likely to rise in coming years due to international shortages and in the context of significant competition for labour pay costs are difficult to control.

The potential for public subsidies, particularly tax reliefs and also cash subsidies for home buyers, together with the potential of targeted tax increases to reduce construction costs was

also discussed in depth. In relation to the former some participants welcomed the temporary reductions in development levies on residential construction that have recently been introduced and suggested that this approach could be extended, and additional measures of this type introduced. Although it was stressed that tax reliefs to reduce construction costs would need to be targeted and temporary, the effectiveness and controllability of this approach was questioned. The experience of the 'Section 23' tax reliefs for residential development between the 1980s and mid 2000s suggests that once measures of this type are introduced, they are difficult to remove, and the benefits of the reliefs are not always passed on to home buyers.

The potential of the recently introduced, Residential Zoned Land Tax, to encourage higher levels of construction on zoned land was also discussed. Farmers' representative raised concerns that this tax would impact unfairly on farms located on the edge of urban areas. However other participants argued that this measure will help to bring more land forward for construction and thereby reduce the costs of sites. Furthermore, farmers who don't wish to pay the tax can apply to have their land rezoned or sell it on for housing development.

THEME 2: INCREASING AND EXPEDITING HOUSING DELIVERY

In addition to costs there was also a concern among participants that the pace of new housing construction is too slow and the volume of output too low to meet housing demand. Therefore, options for expediting and increasing new house building were also discussed.

There was a strong consensus that modern methods of construction should be more widely used and that this would increase the speed of housing delivery. Although several participants raised doubts that this would reduce housing delivery costs.

The need to increase the number of tradespeople and other construction professionals was also a strong theme in the discussions. Representatives from SOLAS, which oversees the Further Education & Training sector, explained that the number of construction apprenticeships has increased by 30% in recent years and there are plans to increase it by a further 50%. They highlighted a need to promote construction careers in second level schools and encourage underrepresented groups (such as women) to pursue these careers in order to further increase participation in apprenticeships.

In addition, the need to attract more private capital into private house building was also raised. The potential of long term investment by pension funds to increase the supply of new apartments was highlighted

Concerns were also raised about capacity constraints in the local authority and approved housing body (AHB) sector that are impeding the delivery of social housing. These relate to lack of appropriately qualified staff and difficulties in recruiting these staff.

The contribution that renovation of vacant dwellings can make to increase housing supply was raised by several participants and measures to address the barriers to renovating these dwellings were proposed. The availability of mortgage and bridging finance for those who wish to buy a derelict dwelling was raised as a key barrier.

THEME 3: MEETING THE HOUSING NEEDS OF EXCLUDED GROUPS

There was a lengthy discussion of how the needs of those who are excluded from access to market housing and/or have specific housing needs can be met.

The need for increased social housing supply was a particular concern in this regard. Several participants expressed the view that social housing should accommodate a large proportion of households and reliance on housing allowances such as the Housing Assistance Payment to meet the housing needs of low income households should be reduced. Concerns were raised about the failure of the Department of Housing to regularly update the income limits for access to social housing and it was proposed that these should be reviewed annually in future,

Concerns were also raised that Part M of the building regulations that require that new dwellings are 'visitible' by wheelchair users and other people with mobility difficulties, is not delivering in dwellings that are suitable for full time occupation by these groups. Thus, there is a chronic shortage of supply of homes for people who use wheelchair, particularly electric wheelchairs because these are bigger and require more space in which to turn.

The need to provide more well designed and suitably located smaller dwellings to enable older people to downsize was also raised. As was the need for care packages to be provided to enable older people to live in their own homes for longer and to enable social landlords meet the needs of an aging population of tenants.

BREAKOUT SESSION 6

MOVING TO A SUSTAINABLE FOOD SYSTEM

CHAIR: MINISTER OF STATE AT THE DEPARTMENT OF AGRICULTURE, FOOD AND THE MARINE, MARTIN HAYDON, T.D.

RAPPORTEUR: PROFESSOR MICHAEL WALLACE, UNIVERSITY COLLEGE DUBLIN

INTRODUCTION

Minister of State Heydon welcomed participants and opened the discussion by referring to the agri-food sector's vital role in Ireland's economy and society. He noted that the sector accounts for 7% of Gross National Income, over 9% of exports in value terms, and employs almost 165,000 people, representing close to 7% of total employment. He highlighted that the sector's economic contribution is especially significant in rural and coastal areas. Regarding the seafood sector, Minister Heydon noted that seafood output value reached €703m in 2022, an increase of 13% from the previous year.

The Minister of State noted several economic challenges, including Brexit, the Covid-19 pandemic, the energy price shock, the cost of living crisis, and the global spotlight on food security. He acknowledged the essential nature of the agri-food sector in maintaining food supply chains and the integral role farmers, fishers and foresters play in our rural and coastal communities. He commended the resilience of farmers, fishers, and food businesses in responding to the recent challenges.

Minister Heydon emphasised that environmental responsibilities, including climate action, must be at the core of the strategic development of the sector and noted how a sustainable food system, described in Food Vision 2030, must positively impact the environment while being financially profitable with broad based benefits for society. He emphasised Ireland's position as a trusted supplier of safe, sustainable food being the foundation for targeted growth in the value of Irish agri-food exports to €21bn by 2030, stressing that the focus would be on quality and higher value exports as opposed to greater volume.

Following the Minister of State's introduction, the breakout session yielded a constructive and wide-ranging discussion of the challenges and priorities in moving to a more sustainable food system. Participants fully engaged with one another as they contributed insights in a spirit of open and respectful debate. While the discussions embraced numerous issues, the principal themes are summarised below.

THEME 1: BALANCING SUSTAINABILITY PRIORITIES

There was broad agreement among participants that developing a more sustainable food system was a necessary ambition that required an integrated approach, balancing economic, environmental and social dimensions. However, there were divergences in emphasis among participants when prioritising the most urgent actions within and across the sustainability pillars.

Some discussants referred to the deterioration in key environmental indicators such as biodiversity, farmland bird populations, greenhouse gas emissions, and water quality. They stressed the urgency of scaling-up actions to reverse the worsening environmental metrics and noted that the degradation of ecosystem services threatened the economy and farm incomes. Other participants emphasised current progress, such as the strong farmer engagement in the Agri-Climate Rural Environment Scheme (ACRES), uptake of measures such as wild bird cover crops, and the dedicated CAP budget ring-fenced for eco-schemes.

A discussion thread emphasised the environmental benefits of forestry but suggested that the sector was in crisis with the acute threat of ash dieback disease underlined as requiring more Government action. Also mentioned were the sustainability deficiencies of current 25-year clear-fell rotations and the importance of clarifying carbon credit ownership for CO₂ sequestration from forestry plantations. A related line of the discussion noted the potential role of silvopastoral systems in addressing environmental goals, including methane reduction, water filtration, and soil fertility.

Regarding the seafood sector, it was suggested that the overwhelming focus had been on the environmental dimension while economic and social sustainability pillars were being overlooked. The discussion cited the adverse impacts of Brexit on the fishing sector, noting how the economic implications were critical for coastal communities where employment is heavily dependent on the seafood sector and where there is often a scarcity of alternative opportunities. Further narrative under this theme referred to a lack of consultation and coordination in policies affecting the industry, such as the designation of Special Areas of Conservation (SACs) and the development of off-shore renewable energy. Another concern was the sector's reliance on marine diesel and the necessary research and capital investment required for an energy transition from fossil fuels.

Discussion of sustainability's economic and social dimensions was woven into many of the conversations. The dialogue emphasised the importance of generational renewal, underpinned by positive career opportunities and viable incomes for current and future generations in the industry. A related thread referred to sustainable product pricing and ensuring greater transparency regarding margins in the downstream food chain. This discussion acknowledged the new Agricultural and Food Supply Chain Bill but queried the exclusion of food processing businesses with turnover higher than €350m from the unfair trading practices provisions. Other commentary noted the indirect effects of future UK trade agreements on Irish food exports and the importance of Bord Bia being sufficiently resourced to support market development.

Discussants referred to health and safety concerns, citing long work hours, isolation, and financial pressures as major contributing factors in troubling levels of accidents, mental health problems, and family breakups in the farming and fishing sectors. Some contributions noted the psychological impacts on farmers who feel scapegoated in the national environmental discourse and that a perceived lack of recognition of positive actions is demoralising for farmers implementing significant changes to address ecological targets. Further dialogue on the social pillar referred to the necessity of upholding working and employment conditions of agri-food workers and the social conditionality provisions within the CAP Strategic Plan. It was suggested that enhanced worker protections might be associated with improved environmental performance of businesses.

THEME 2: COLLABORATION AND STAKEHOLDER INCLUSION

Participants noted that Ireland's vision of being a global leader in sustainable food systems (Food Vision 2030) requires consensus-building and stakeholder collaboration to successfully balance environmental, economic, and social responsibilities. However, the discussants acknowledged the difficulties of achieving consensus in key areas such as the EIA regulations and nature restoration. Other exchanges noted the positive engagement in forums such as the citizens' assembly on biodiversity. A related thread stressed the importance of acknowledging areas of progress to avoid demoralising the many who are making positive efforts to address sustainability goals in the agri-food sector.

Participants acknowledged the merits and limitations of recent consultative processes, including Food Vision 2030 and its sectoral (dairy, beef and sheep, and tillage) subgroups. Discussants identified areas where inclusivity or more continuous engagement of stakeholders could be enhanced. The seafood sector was highlighted as requiring deeper ongoing consultation on its sustainability challenges. Under this thread, an insufficient representation of agri-food workers in sector planning processes was also flagged, particularly regarding social conditionality and employment standards. Similarly, it was suggested that a food [processing] industry vision group could be instrumental in developing and accelerating focussed actions for the sustainable food systems ambition.

THEME 3: REQUIREMENT FOR TRANSFORMATIVE ACTIONS

A significant theme of discussion considered the urgency and the magnitude of transformational changes required to meet challenging sustainability targets, especially those concerning the natural environment. In this dialogue, commentators referred to 'stepping up' the ambition and 'scaling up' responses. Concerning agro-forestry, it was suggested that more innovative, longer-term contracts were necessary to incentivise permanent forestry cover and address the sustainability deficiencies of current clear-fell forestry rotations. Some discussants referred explicitly to the actions and measures in the Climate Action Plan and commented that science and technology are constantly improving, which is already impacting farm practices. However, other participants urged caution due to the long timescales for realising the benefits of certain innovations.

Some discussions included concerns about a lack of coherence in messaging, such as the discourse about nature restoration law and the protection of hedgerows. Other perspectives emphasised the major investment in the forestry sector and towards environmental measures in general. A related discussion highlighted the industry's advocacy for environmental schemes and farmers' positive engagement with conservation measures in ACRES and the new Eco-Scheme. From this viewpoint, the sector was moving in the right direction, balancing environmental responsibilities with producing quality food for society.

Contributors noted the pivotal role of science and the need to maintain investment in research to drive the continuous improvement in food system sustainability through innovation. Key priorities mentioned by participants included higher value-added products such as specialised nutrition for the health and lifestyle markets and enhanced environmental attributes such as low carbon footprint. Discussants noted the science on genotyping, clover, feed additives, fertilisers use, low-emission slurry spreading, dairy-beef genetics, and earlier slaughter age as examples of current progress at the farm level. In this context, contributors highlighted the need to further ramp up the implementation of best practices in the sector. Others suggested

that research/science and technology need time to work and that farmers are continually implementing improved farm practices and technologies.

More effective communication strategies were indicated as being critical to improving the uptake of sustainable innovations and engaging the broader community with initiatives to enhance food system sustainability. On this latter point, it was suggested that mandatory labelling of food environmental credentials might facilitate more active engagement by citizens when making food purchase decisions.

CONCLUSION

The exchanges in the breakout session illustrated the challenges of balancing environmental, economic, and social pillars of sustainability due to the inherent trade-offs. The debate highlighted the importance of stakeholders engaging in collaborative and inclusive forums to co-design potential solutions. The contributors agreed that meeting Ireland's sustainability commitments requires transformational changes by scaling up a broad range of science-based actions. Notably, while the stakeholders' viewpoints shared common perspectives, there remains scope to build further consensus around the challenges and their necessary responses.

BREAKOUT SESSION 7

LEVERAGING DIGITAL IN THE FUTURE OF WORK AND EMPLOYMENT SERVICE DELIVERY

CHAIR: MINISTER FOR SOCIAL PROTECTION; AND RURAL AND COMMUNITY DEVELOPMENT HEATHER HUMPHREYS, T.D.

RAPPORTEUR: PROFESSOR PHILIP O'CONNELL, UNIVERSITY COLLEGE DUBLIN

INTRODUCTION

This session focused on the promises and challenges of digitalisation, automation and artificial intelligence (AI) on the labour market and on the delivery of employment services. The discussion was particularly well-informed by a great deal of knowledge and experience of the participants. Two overarching themes recurred across the wide-ranging discussion: efficiency and equity. Digitalisation and AI have the capacity to generate dramatic increases in productivity and capacity, but there is concern that the benefits will be not distributed equally, and that existing inequalities may be exacerbated.

THEME 1: THE IMPACT OF DIGITALISATION, AUTOMATION AND AI ON THE LABOUR MARKET

Two issues dominated the discussion on the impact of these technological changes in the labour market: the structure of positions in the labour market and recruitment to those positions.

First, it is generally accepted that digitalisation and AI is likely to change jobs, with a particular danger of a hollowing out of the labour market with the transformation or destruction of jobs requiring low and middle-level skills. In this context, a number of participants held that learning digital skills prior to entry to the labour market would be important to combat disadvantage. More generally, it was recognised that the extent of job-losses likely due to digital technologies remains unclear, and needs to be investigated.

These rapid technological changes coincide currently with a buoyant labour market in which there are more people working than ever before and many jobs are utilizing digital technology and AI, so that less apocalyptic views were expressed that changes due to digitalisation may be gradual and positive, leading to gains in job quality, productivity and rewards. Moreover, and notwithstanding the risks posed by AI, several speakers highlighted its potential to enhance productivity and service quality in healthcare, and care more generally.

Second, there is a great deal of concern that AI can lead to bias in allocating jobs. Recruitment processes driven by algorithms may exacerbate existing inequalities based on gender, age, skills and educational attainment, ability/disability and urban/rural location. For example, it was pointed out that the use of voice- and face-recognition technologies in recruitment may put people with a disability at further disadvantage. It will be important to develop robust regulation

to counteract such biases, and it was noted that AI might be harnessed to assist in recognition of implicit bias in algorithms and processes.

THEME 2: PREPARATION OF WORKERS AND ENTERPRISES FOR DIGITAL TECHNOLOGICAL CHANGE

There was broad agreement that digital technologies are likely to have an uneven impact on enterprises, jobs and workers, resulting in increased inequalities in the labour market. Jobs entailing medium-level skills are believed to be at particular high risk of transformation or destruction from AI. However, older workers, jobs entailing low skills levels, and small firms are also at risk. It will therefore be important to promote investment in digital skills to prepare for digital transformation. Such investment should, where possible, be targeted at those *at risk* of losing their jobs, rather than waiting for those jobs to be eliminated. It was argued that supports such as education and training grants or wage subsidies could facilitate retraining, and it was also noted that surplus funding accumulated in the National Training Fund might be tapped to provide necessary resources. The *Skillnets* programme, delivering in-work training, may provide a useful model for such investment.

It was also noted that Ireland continues to suffer an Infrastructure deficit, particularly in relation to the urban-rural divide. Access to broadband remains a particular problem for rural dwellers. It was argued that further extension of digital hubs dispersed across rural areas may be part of the solution.

The discussion concluded that individuals, employers and the State all share responsibility to keep skills up to date to respond to rapid technological change.

THEME 3: ARE ACTIVE LABOUR MARKET POLICIES APPROPRIATE TO RESPOND TO TECHNOLOGICALLY INDUCED CHANGE IN THE LABOUR MARKET

Most active labour market programmes (ALMPs) and policies, such as those implemented under the *Pathways to Work* strategy, are focused on supporting people more distant from the labour market. There is a clear danger that digital technologies will pose an even greater challenge to the aim of supporting the most disadvantaged jobseekers into employment. Moreover, access to appropriate ALMPs for jobseekers, others distant from the labour market, as well those in work at risk of technological redundancy is of serious concern. In this context, guidance is essential to enable individuals to navigate the skills-employment nexus. It was also noted that short-cycle training to meet specific skill-needs can work well for reskilling both unemployed and upskilling current employees.

In addition to access for disadvantaged jobseekers, it will be necessary to cater for those displaced from jobs requiring middle-level skills, such as, for example, para-legal workers. This represents a different client group to traditional ALMP provision and may require a shift from low- to medium level skills training. However, it was argued that programmes for disadvantaged groups will continue to be important as a first step in labour market integration, and this includes not just jobseekers, but other groups more distant from the labour market, many suffering from a multiplicity of challenges to employment.

THEME 4: HOW TO DEVELOP DIGITAL TECHNOLOGIES TO ENHANCE THE EFFECTIVENESS OF PUBLIC EMPLOYMENT SERVICES

It was agreed that digital technologies have enormous capacity to enhance the quality and efficiency of public employment services. Such enhancement of capacity is already in train, as seen, for example, in the harnessing of the IT system in the extremely rapid roll-out of the Pandemic Unemployment Programme during the Covid-19 pandemic. The public employment service also represents an essential repository of data on jobseekers and their needs, generating enhanced capacity to generate evidence to guide policy. However, in this context, data security and trust must be maintained.

However, there are also concerns about the implications of the adoption of digital technology in the public employment service for access to and inclusion in supports. The digital divide occurs across both social and spatial dimensions, so that more disadvantaged jobseekers and rural dwellers are less able to access digital services. Regional digital hubs may be a part of the solution, but there will continue to be demand for personal face-to-face rather than digital delivery of services. Here AI may be of assistance in delivering employment supports, but the general principle of 'digital by desire' rather than by default should continue to be followed so that those who prefer face-to-face services are facilitated.

CONCLUSION

While there is widespread agreement that emerging digital technologies, particularly in the form of AI, hold the promise of extraordinary gains in productivity, capacity and output, there is a great deal of concern that the benefits of new technology will be unevenly distributed and that not all will share in the fruits of the anticipated prosperity. It will be essential that labour market policy be designed to manage this tension between efficiency and equality to serve social goals.



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