



Rialtas na hÉireann
Government of Ireland

Response to Ireland's Competitiveness Challenge 2022

Publication of the Government's response
to the National Competitiveness and
Productivity Council report

29 November 2022

Government Response to Ireland's Competitiveness Challenge 2022

This is the third formal response issued by the Government to the annual Competitiveness Challenge Report published by the National Competitiveness and Productivity Council (NCPC).

Ireland's Competitiveness Challenge 2022 was published by the NCPC on 16th September 2022. Since then, the recommendations of the report have been given careful consideration by Government. The Government continues to firmly recognise the importance and value of the Council's work in assessing Ireland's competitiveness and is committed to addressing the Council's recommendations.

Ireland's Competitiveness Challenge 2022 is framed both by the economic impact of COVID-19 and by the emerging inflation and cost of living challenge brought about by developments in global energy markets following the Russian invasion of Ukraine. In this context, the Council has identified both immediate competitiveness issues for consideration by Government, as well as four areas to be addressed with more medium-term challenges to enhance Ireland's competitiveness and productivity performance.

These four areas are to:

- Boost broad based productivity growth.
- Enhance labour market performance.
- Support infrastructure investment for a better future; and
- Manage the costs of doing business.

In total a set of twenty actions are proposed by the NCPC for consideration by Government.

The Government welcomes the focus of the NCPC on both the immediate competitiveness challenge, and the four priority areas and agrees on their importance and relevance to Ireland's continued competitiveness.

The following response outlines how the Government is responding or will respond to the twenty actions proposed by the NCPC.

Immediate Issues Facing the Irish Economy

Recommendation 1.1: Policymakers must ensure that any policy responses to international inflation do not embed inflationary expectations into the domestic economy which will undermine Ireland's competitiveness.

Responsibility: Whole of Government

The Government welcomes and agrees with the NCPC's recommendation that policy measures introduced in response to rising consumer prices should not add to existing inflationary pressures or imbed such pressures, undermining competitiveness.

Consumer price inflation has risen sharply over the past year. The main driver of inflation at present is the sharp rise in energy prices as a result of the Russian invasion of Ukraine. However, non-energy inflation has picked up sharply in recent months as the indirect effects of higher energy prices are increasingly being felt in other sectors such as food, consumer goods and services.

In responding to rises costs pressures, facing households and businesses, Government has been cognisant of the need to ensure that inflationary pressures are not exacerbated or added to. This informed the development of Budget 2023 which included a total package of €11 billion, of which €4.1 billion was set aside for once-off cost of living supports. €2.4 billion will be provided through one-off expenditure supports to households, enterprises and other public and community services with a further €1.7 billion delivered through taxation supports.

The Government believes this approach, and its scale, balances the need to provide fiscal supports to households and firms while, at the same time, avoiding adding to inflationary pressures in the economy which could undermine Ireland's competitiveness.

Recommendation 1.2: As COVID-19 related supports have been withdrawn, any future scheme(s) should be targeted in such a way as to avoid distorting the redistribution of labour or capital in the economy.

Responsibility: Department of Finance, Department of Public Expenditure and Reform, Department of Enterprise, Trade and Employment

The Government broadly agrees with this recommendation and the view of the NCPC which identifies the importance of ensuring Government supports, when made available, and to the greatest extent possible, are targeted and support companies which are both vulnerable and viable.

Public health restrictions during the COVID-19 pandemic resulted in numerous businesses being unable to operate as normal through no fault of their own, with consequential impacts on employment and the livelihood of citizens.

As such, Government deployed public finances to implement a number of support schemes for employers and employees such as the wage subsidy schemes (Temporary Wage Subsidy Scheme and Employment Wage Subsidy Scheme), the COVID Restrictions Support Scheme and Tax Debt Warehousing. The success of these schemes is evident by the strength of the economic recovery once public health restrictions were lifted.

Recently, the Temporary Business Energy Support Scheme (TBESS) was set out in the Finance Bill. The objective of the TBESS is to mitigate the impact of the high energy prices on the economy, following the Russian invasion of Ukraine. It is designed to be consistent with the EU response as outlined Article 2.1 of the Temporary Crisis Framework for State Aid measures to support the economy. The scheme will help businesses with their energy costs over the winter months and will run for a limited duration.

The TBESS is a broad-based measure which will apply to businesses (trades and professions) that can demonstrate that the average unit prices energy consumed have increased by 50% or more. The broad nature of the scheme is specifically in the context of the wide effect the energy crisis is having on society in general.

In the event of any future support scheme(s), full consideration will be given to the points raised by the NCPC.

Recommendation 1.3: In light of the Summer Economic Statement, the NCPC recommends that any additional expenditure is targeted on productive spending that will reduce bottlenecks and foster growth and employment, and on highly targeted supports to assist those most affected by the increased energy and food prices.

Responsibility: Department of Finance

The Government welcomes the focus of the NCPC on this priority issue and agrees on the need for expenditure to be targeted both to foster growth and to help support the most vulnerable. This is a core element of the Government's fiscal strategy which was set out in the Summer Economic Statement and operationalised in Budget 2023.

The significant level of support provided in Budget 2023 will be delivered in a timely manner, be targeted to help protect households and businesses from energy price inflation and be progressive in nature by supporting those on lower incomes to a larger degree.

The one-off cost of living package is particularly progressive with the first three income deciles gaining the most, with disposable income rising by 4.5% compared to 1.6% on average.

Budget 2023 also provides for a substantial increase in capital spending that will help reduce supply-side bottlenecks and boost the productive capacity of the economy. Next year €12.4 billion has been made available for capital spending on vital infrastructure in areas such as housing, transport, education, enterprise, and climate action. This allocation represents an increase of €0.8 billion over the projected level of spending in 2022 and is over 2.5 times the allocation in 2017. As a result, there has been a significant improvement in the composition of public expenditure in recent years.

Recommendation 1.4: The NCPC recommends that the actions put forward by the Commission on Taxation and Welfare are immediately addressed, with a view to Ireland having a tax and social protection system that enhances economic potential and promotes quality employment so that living standards and quality of life improve for all of society.

Responsibility: Department of Finance

The Commission on Taxation and Welfare was an independent group that was asked to consider how best the taxation and welfare systems can support economic activity and promote increased employment and prosperity while ensuring that there are sufficient resources available to meet the costs of the public services and supports in the medium and longer term.

“Foundations for the Future”, the Report of the Commission on Taxation and Welfare, published on 14th September 2022, is a wide-ranging report that contains 116 recommendations relating to the future of our taxation and welfare systems. It is clearly set out in the Commission’s report that the recommendations are not intended to be implemented all at once but provide a clear direction of travel for taxation and welfare systems may be improved in a fair manner.

The Commission’s recommendations are significant and wide ranging, and it is important to allow time for detailed consideration and debate. In his Budget 2023 speech, the Minister for Finance acknowledged that the Commission’s report had already fed into a number of policy actions being announced. These included:

- Commitment to developing a medium-term roadmap for personal tax reform (across income tax, USC, PRSI and other personal taxation issues), taking account of the recommendations in the Commission’s report.
- The establishment of a working group to consider the taxation of funds, life assurance policies and other investment products.

- Commitment to a review of the REIT, IREF and section 110 regimes.
- Commitment to careful consideration and consultation across Government regarding the Commission’s proposals on changes to the Local Property Tax and a Site Value Tax.

The members of the Commission on Taxation and Welfare have now concluded their work with the delivery of their report. However, their medium to long-term focused recommendations will serve to inform this and future governments’ deliberations, as well as political and public debate, on how we reform our taxation and welfare systems over the medium to longer term in order to safeguard their sustainability and adapt to a rapidly changing environment.

Boosting Productivity

Recommendation 2.1: The NCPC recommends that the required resources are immediately devoted to implement systematically the Harnessing Digital strategy, with annual reporting on progress made and transparent identification of all barriers to progressing the implementation process.

Responsibility: Department of the Taoiseach, Department of Enterprise, Trade and Employment, IDA Ireland, Enterprise Ireland, Local Enterprise Offices

The Government welcomes the recommendation on implementation of the Harnessing Digital strategy. Implementation of the strategy is a key Government priority. Capturing the benefits of digital, across the full scope the strategy, will be a critical contribution to Ireland’s continued competitiveness.

The strategy, launched in February 2022, sets out a pathway to drive and enable the digital transition across the economy and society; and places a strong emphasis on balance, inclusiveness, security and safety, underpinned by a coherent governance structure.

It includes targets, high-level workstreams and deliverables across four dimensions, in line with the EU’s Digital Decade 2030: Digital Transformation of Business; Skills; Digital Infrastructure; and Digitalisation of Public Services. Progress across these dimensions are led by the relevant Departments (namely Department of Enterprise, Trade and Employment (D/ETE), Department of Further and Higher Education, Research, Innovation and Science (D/FHERIS), Department of Environment, Climate and Communications (D/ECC), Office of the Government Chief Information Officer (OGCIO)).

As committed in the strategy, the Senior Officials Group on Digital Issues has engaged regularly with the Digital Regulators Group¹ over the course of 2022.

Since the launch of the Strategy in February significant progress has been made across all four dimensions. This includes a new Enterprise Digital Advisory Forum and €85 million Digital Transition Fund to support the digitalisation of enterprise; and a continuing focus on digital skills, including the development of a new strategy that will focus on high-level digital skills, digital skills for the labour market, and for society; and the implementation of a new Digital Strategy for Schools. In addition, progress on the Digitalisation of Public Services includes the development of a Key Life Events portal, and a new Digital Healthcare Framework 2023-2027, as well as the continuing roll-out of Electronic Health Record systems, including to the New Children’s Hospital.

On Digital Infrastructure, a new Digital Connectivity Strategy, to be published before the end of the year, will set out the State’s ambition for digital connectivity to 2030. Key enablers include delivering the National Broadband Plan, safeguarding our international connectivity, and implementing our Cyber Security Strategy.

The State-led €2.7 billion National Broadband Plan is a vital enabler of digital connectivity and digital services. It will see a high-speed and future-proofed broadband network rolled out to an Intervention Area which covers 1.1 million people in almost 560,000 premises. Construction is now complete or underway across 26 counties, and the level of connections is increasing on a daily basis, in line with projections, with some areas exceeding expectations. Over 97,000 premises can now order or pre-order a high-speed fibre broadband connection across 25 counties.

Harnessing Digital also re-enforces our commitment to a modern, cohesive, well-resourced regulatory framework. Digital regulation is becoming increasingly cross-cutting and complex, which is why pursuing a joined-up approach across policy areas is essential. This includes having effective and well-resourced highly skilled regulators; working to maximise the coherence of digital and regulatory structures, and the wider regulatory cooperation framework; and being a strong voice in Europe for a balanced approach to digital regulation. Considerable progress is being made in this regard.

Recent developments include designation by the Government of the new Media Commission, Coimisiún na Meán, as Ireland’s Digital Services Coordinator under the Digital Services Act. The Online Safety and Media Regulation Bill 2022, which is currently progressing through the Oireachtas, provides for the establishment of

¹ The Digital Regulators Group includes the Commission for Communications Regulation (ComReg), the Data Protection Commission (DPC), the Competition and Consumer Protection Commission (CCPC), and the Broadcasting Authority of Ireland (BAI)

Coimisiún na Meán, including an Online Safety Commissioner, and the dissolution of the Broadcasting Authority of Ireland (BAI). The Bill will also update the regulation of television broadcasting and video on-demand services and transpose the revised Audiovisual Media Services Directive into Irish law. In parallel, the Government is advancing the establishment of An Coimisiún on an administrative basis, with recruitment for key posts expected to be completed shortly.

On Data Protection, the Government has recently decided to appoint two additional Commissioners to the Data Protection Commission (DPC), in recognition of the increased workload arising from increasingly complex investigative requirements in recent years, and reflecting the Government's intention to continue to build the capacity of the DPC.

Annual progress reports on Harnessing Digital will be coordinated by the Department of the Taoiseach, with the first report expected to be published at end-2022.

Recommendation 2.2: The NCPC recommends ongoing monitoring and evaluation of Government supports for the twin transition to ensure that adequate progress is being made and that Ireland's targets remain appropriate when viewed against what is being achieved across the EU in relation to the twin transitions.

Responsibility: Department of Enterprise, Trade and Employment, IDA Ireland, Enterprise Ireland, Local Enterprise Offices

The Government agrees with the Council on the importance of ensuring that the twin transitions, digital and green, are adequately and appropriately supported.

The Government, through D/ETE, monitors the available state supports for enterprises on an ongoing basis to ensure they are consistent with the level of ambition set in the climate action plan and the challenges faced by different sectors in decarbonising their operations.

Recent developments in this regard including the launch of the Green Transition Fund, supported by EU funding under Ireland's National Recovery and Resilience Plan. This fund, launched in June 2022, will see €55 million invested in enterprises, particularly the manufacturing sector. This will facilitate cost saving investments and carbon abatement by incentivising the installation of energy metering systems and facilitating investment in low-carbon, energy efficient equipment and processes.

Under the Enterprise Dimension of Harnessing Digital, the Government has committed to driving a step-change in the digitalisation of enterprise across the country. The Strategy sets out specific objectives around the digitalisation of enterprise, including that

at least 90% of our SMEs reach at least a basic level of digital intensity by 2030, and that at least 800 businesses receive support from the Digital Transition Fund by 2026.

To boost the uptake of digital technologies enterprises, the Digital Transition Fund was launched in June 2022. Assistance through the Digital Transition Fund is available to businesses at all stages of their digitalisation journey including helping to establish an online presence; the digitalisation of products and business processes; and using digital technologies like cloud, Artificial Intelligence (AI) and big data to develop new markets and business models. The Digital Transition Fund includes a planned Digital Portal that will help businesses to self-assess their digital needs and provide training, resources, and funding option.

Recommendation 2.3: The NCPC recommends that, in order to secure Ireland's position as a strong innovator, the Government should ensure that:

- (i). the Impact 2030 strategy is implemented without delay and progress on targets is monitored on an annual basis;*
- (ii). the Research Bill is passed without delay and that the new research and innovation funding agency is established with some urgency to drive and fund research, particularly interdisciplinary research.*

Responsibility: Department of Further and Higher Education, Research, Innovation and Science

The Government welcomes this recommendation and the importance the NCPC places on innovation as a factor in Ireland's competitiveness.

A new Government strategy on innovation, Impact 2030: Ireland's Research and Innovation Strategy, was launched in May 2022. The overarching purpose of the strategy is to maximise the impact of our collective research and innovation activities and investments on multiple national priorities.

The Impact 2030 Steering Group and Implementation Forum, both chaired by the D/FHERIS, are in place and will oversee the strategy. The Implementation Forum will report annually. The first such progress report for 2022 will be produced in Q2 2023.

The new strategy recommends the creation of a national competitive research and innovation funder. This will involve amalgamating the functions and activities of the Irish Research Council (IRC) and Science Foundation Ireland (SFI) to form a new competitive research and innovation funding agency under the aegis of D/FHERIS.

The establishment of this new agency will be based on extensive consultation and a due diligence process which will identify the optimal structure needed to give effect to the intended role, functions and activities of this new agency.

Legislation to give effect to establishment of a new agency will be prepared and brought to Government as soon as possible, following which it will be progressed through the Oireachtas.

Enhancing Labour Market Performance

Recommendation 3.1: The NCPC recommends that resources identified under Pathways to Work 2021-2025 should be redeployed away from COVID-19 labour market recovery schemes towards:

- (i). Increasing the digital skills of the labour force which are not adequate to the rapidly changing digital environment,*
- (ii). Developing measures that will increase labour force participation amongst currently underrepresented groups, and*
- (iii). Continuing to roll-out engagement programmes through INTREO targeting specific cohorts, including ‘returners’, (for example, Job Fairs) to re-engage those currently outside the labour force, with a focus on job and skills-matching.*
- (iv). Increasing outreach for skilled labour beyond the EU/EEA through INTREO by considering rolling out programmes to target potential pools of skilled labour in identified areas and countries.*

Responsibility: Department of Social Protection, Department of Further and Higher Education, Research, Innovation and Science

The Government welcomes the recommendation of the NCPC on the importance of ensuring labour market schemes are appropriately targeted to reflect economic and labour market conditions.

The Labour Market Advisory Council, an independent group of labour market experts, has the remit to monitor progress on Pathways to Work 2021-2025. The Council submitted their first annual progress report, covering the period from its launch in July 2021 to June 2022, in September 2022. The Minister is currently considering the findings of the report and will forward to Government with her views later this year, at which time it will be published.

A Mid-Term Review of Pathways to Work will be undertaken in 2023, which will include updating the Pathways to Work strategy in light of the changing labour market situation. The recommendation of the NCPC will be carefully considered as part of this review.

Budget 2023 saw a realignment in the resources of the Department of Social Protection's (D/SP) labour market schemes, and specifically those that were established and enhanced in response to COVID-19. These active labour market programmes continue to be useful, however, in 2023 they will operate at levels appropriate to the current labour market requirements and are now being targeted at specific cohorts who are in need of additional support.

Against the backdrop of the green and digital transitions, Pathways to Work outlines some of the Government's commitments to deliver a range of further education and training measures.

One example is the Skills to Compete initiative, a SOLAS reskilling and retraining initiative with three strands.

- Transversal skills development to help employability,
- Build the digital capabilities now required for almost every job, and,
- Specific NFQ Level 4-6 courses targeting growth sectors and occupations.

Initiatives currently underway to support digital skills for the labour market more generally include the OECD Review of Skills Strategy, EU Structured Dialogue on Digital Education and Skills, development of a Unified Tertiary Education System and an ERSI / D/FHERIS research programme on skills requirements.

Strand Four of Pathways to Work, Working for All – Leaving No One Behind, contains 30 commitments to improve outcomes for cohorts facing disadvantage in the labour market. The Pathways strategy also commits to developing and operating 'Returner' programmes to encourage and support people who left the workforce and have been outside of the workforce for some time to take up employment. Work is progressing in this area including delivering a series of Job Promotion events for people seeking to return to work. In the first half of 2022, 126 events were held across the country. The Department is also actively considering organising job promotion events outside of the State.

Recommendation 3.2: The NCPC recommends that to increase participation of people with disabilities and older people in the labour force:

- Finalise Final Action Plan of the CES and combine into one single strategy with the successor strategy of the NDIS, and*
- Continue to examine ways to improve the coordination of policy across Government departments.*

Responsibility: Department of Children, Equality, Disability, Integration and Youth, Department of Further and Higher Education, Innovation and Science, Department of

Enterprise, Trade and Employment, Department of Health, Department of Social Protection

The Phase III Action Plan for the CES is presently being finalised, with a particular focus on seamless pathways to work, and other "wrap around" issues. The Implementation Group overseeing the development of the Action Plan aims to finalise the plan imminently. The new Phase III Action plan will establish priority actions to be pursued for the remainder of the Strategy.

The Government recognises the importance of coordination between Departments and Agencies on the provision of programmes and assistance to support participation in the labour market. D/FHERIS, SOLAS, the Higher Education Authority (HEA) and Skillnet Ireland are working on an ongoing basis with the D/SP on education and training actions and targets set out in Pathways to Work. This engagement includes the work of the D/FHERIS / D/SP High Level Group, a new initiative established to ensure a co-ordinated approach to support jobseekers as the economy emerged from the COVID-19 pandemic and ensure smooth transitions between public employment services and education and training sector for jobseekers.

Within the framework of the Pathways to Work strategy, this High-Level Group seeks to ensure complementarity across the services available to jobseekers and to adapt those services as the pace of workplace change accelerates, particularly in the context of the green and digital transitions and the impact of technology on the workplace.

Recommendation 3.3: The NCPC recommends that the relevant entities lead, develop and implement a coherent plan to address the recommendations assigned by the EGFSN in their AI Skills report to support the digital transition.

Responsibility: Department of Enterprise, Trade, and Employment, Department of Education, Department of Further and Higher Education, Research, Innovation and Science, Department of Public Expenditure and Reform, Further Education and Training and Higher Education Providers, Department of Education, Industry and other stakeholders

The Expert Group on Future Skills Needs (EGFSN), in its study on AI skills, examined the anticipated skills implications of the growth of AI over the next 5 to 10 years. The study acts as an introductory paper to uncover the skills-related issues and challenges that will need to be tackled if the opportunities and potential of AI are to be realised. It takes a broad focus, not limiting itself to high-level, technical AI skills, but considering the skills that will be needed for the deployment, management and regulation of AI. As such, the findings in this report are relevant for workers in all sectors, for students of all ages, for citizens, and for both public and private sectors.

The report makes recommendations on how Ireland should ensure that the necessary skills are in place for Ireland’s adoption of AI over the coming years. The recommendations span areas such as Computer Science teachers’ Continuing Professional Development (CPD), the development of new Apprenticeships in AI, as well as making AI-related micro-credentials available more broadly to learners and workers.

Dimension 3 of Harnessing Digital addresses the development of high-level digital skills, digital skills for the labour market, and digital skills for society. AI skills are one aspects of digital skills development considered under this dimension. The Strategy, launched in 2022, includes the goal to increase the numbers of learners graduating with higher-level digital skills to over 12,400 graduates, apprentices and trainees, with ambition to further increase digital skills provision in following years. The recommendations of the EGFSN in the AI Skills Report are fully taken into account in this context.

The Enterprise Digital Advisory Forum (EDAF), under the aegis of D/ETE brings together representatives of indigenous enterprise, multi-national enterprise, and experts in digital technologies to drive digital adoption by enterprise. D/FHERIS are working with this important as part of an ongoing commitment to digital skills development.

In addition, Technology 2022: Ireland’s Third ICT Skills Action Plan (2019-2022) supported and responded to the demand for high-level ICT skills for the economy. Work has commenced on an ambitious successor plan, targeting digital skills right across the labour market, and will take into account broader digital skills labour market priorities, as well as themes emerging from Funding the Future, the OECD Skills Review, the EU Structured Dialogue on Digital Education and Skills, and ongoing close collaboration with enterprise, via fora such the National Training Fund Advisory Group, EDAF, and others.

The EGFSN secretariat will shortly initiate a process to monitor and oversee the actions outlined in their study on AI skills, in conjunction with all of the relevant groups involved.

Recommendation 3.4: The NCPC recommends that the relevant entities lead, develop and implement a coherent plan to address the recommendations assigned by the EGFSN in their Skills for Zero Carbon report to support the climate transition.

Responsibility: Department of Enterprise, Trade, and Employment, Department of Environment, Climate and Communications, Department of Further and Higher Education, Research, Innovation and Science, Department of Housing, Local Government and Heritage, Department of Agriculture, Food and the Marine, Department of Social Protection, Department of Public Expenditure and Reform,

The EGFSN has examined the Skills for Zero Carbon (onshore and offshore wind energy, grid scale solar energy, residential retrofit and electric vehicle deployment) publishing their report in November 2021 as a contribution to the all of Government response to the climate transition.

The EGFSN report was predicated on climate ambitions set out in the Climate Action Plan 2019. There has been a considerable ramping up of national and EU ambition that demands a transformative realignment and decarbonisation of the Irish economy, across all sectors, including but also beyond those sectors considered in the EGFSN Report. Ireland has now legislated for the achievement of a 51% reduction in greenhouse gas emissions by 2030 relative to 2018 levels and to reach climate neutrality by 2050. Comparable emissions reduction targets are being set at EU level. Addressing future skills needs will have to be addressed in all sectors, not limited to those specifically addressed by the EGFSN.

The findings of the Skills for Zero Carbon study are subject to consideration by, and are relevant to, a wide range of Departments and bodies.

A number of actions area are underway, informed by the findings of the study, including in relation to offshore wind, solar energy and residential retrofitting. The need for skills to support Ireland's climate transition is being progressed through initiatives such as the Action Plan on Apprenticeships, along with skilling and reskilling initiatives in the further and higher education sector, and in specific sectoral contexts, such as through the work of the Construction Sector Skills Group. D/ECC has engaged with D/FHERIS/SOLAS on the findings of the EGFSN report, particularly as regards skills needs for solar PV, to support the development and rollout of D/ECC schemes, while an Offshore Wind Delivery Taskforce, also chaired by D/ECC, is now in place and includes a Skills and Workforce workstream which will take up the findings of the study.

For retrofitting, Government has provided a clear commitment to the sector with an unprecedented €8 billion to be invested in SEAI supported home energy upgrades to 2030. The funding commitment is included in the National Development Plan (NDP) and National Retrofit Plan with annual allocations for retrofit set out to the end of the decade. This provides clarity and certainty which will encourage new entrants and enable growth in existing companies already operating in the sector.

In support of this, the SEAI are doing an assessment of existing registers of workers who have upskilled in retrofitting and mapping the competencies against the needs for the future skillsets needs identified. These would include new renewable technologies, building renovation and retrofit technologies and low carbon solutions and embodied

energy carbon. Some registers already exist for retrofitting skills such as heat pump installers and solar PV installers. These registers play a role in upholding retrofit standards across the industry.

Ensuring the sufficient availability of the requisite skills to support Ireland's climate transition, including but not limited to those outlined in the Skills for Zero Carbon study, will be an important all of Government responsibility in the coming years.

Recommendation 3.5: The NCPC recommends that the Action Plan for Apprenticeship 2021-2025 adopted by Government is implemented quickly and in full in order to deliver a modern apprenticeship system with expanded programme options and increased take-up.

Responsibility: Department of Further and Higher Education, Research, Innovation and Science

The Government welcomes and agrees with this recommendation. The Government is fully committed to the timely and effective implementation of the Action Plan for Apprenticeship 2021-2025.

The Action Plan aims to deliver a flexible and responsive apprenticeship system which provides a strong value proposition for employers and potential apprentices. Through ensuring that apprenticeship is attractive and easy to engage with, and delivers high standards and sought-after qualifications, it will be embedded as a preferred route to skills development.

The Plan also seeks to deliver greater balance in the apprentice population, with governance and partnership structures that value the apprentice voice and provide employer supports and clear operational arrangements. The changes are intended to deliver 10,000 new apprentice registrations per annum by 2025 - an increase of 62% on 2019 figures.

Notwithstanding the impact of COVID-19 on the delivery of the Action Plan, 50 (79%) of the 63 actions are complete, underway, ongoing, or on schedule for delivery.

Significant milestones include:

- Record apprenticeship registrations in 2021- 8,607 new apprentices, almost 40% above 2019.
- Establishing the National Apprenticeship Office (NAO) and National Apprenticeship Alliance (NAA).
- Removing legal barriers to apprenticeships in professions, through the Higher Education Authority Act 2022.

- Securing additional resources, including for access measures for under-represented groups, an employer grant and a gender bursary.
- Dedicated capital investment of €17.2m to develop further capacity within the FET and HE systems.
- Greater visibility of apprenticeships through links to apprenticeship on the CAO website.

The focus for the immediate period ahead is on:

- Developing the migration plan for craft programmes to a unified apprenticeship system.
- Gathering and publishing data to underpin performance and monitoring.
- Building on existing supports for consortia and employers, particularly through the NAO.
- Finalising the Public Service Apprenticeship Recruitment Plan, to achieve 750 annual public service apprenticeship registrations by 2025.

Recommendation 3.6: Commission and publish a comprehensive, independent evaluation of the combined impact of the measures proposed to improve working conditions in Ireland, within a comparative EU framework - by Q4 2023.

Responsibility: Department of Enterprise, Trade and Employment, Department of Social Protection

As highlighted in the Challenge report, over the past year the Government has introduced or progressed a number of measures with the aim of improving working conditions in Ireland. These include the right to request remote work, sick pay legislation, pension auto-enrolment, parent's leave and parent's benefit, the introduction of an additional bank holiday, and the proposal to move to a living wage.

The COVID-19 pandemic prompted a permanent shift in the way we perceive work and the broader economy, requiring a response by Government. Better pay, benefits and protections for workers will help us to recruit and retain the skilled staff we need to support our economic development.

The Government agrees with the Council that it is important to also be aware of the impact on businesses of these measures and ensure that we are keeping a close eye on costs and competitiveness, particularly as businesses are also grappling with rising prices, supply chain issues and the increasing need to adapt to the digital and climate transitions.

The Government is committed to continuing to monitor the combined impacts of these measures. The D/ETE and the D/SP are currently engaging on this topic with a view to identifying the best way forward to deliver an output by end-2023.

Additionally, as committed in the Roadmap for Social Inclusion, research has been undertaken, with the support of the Labour Market Advisory Council, on trends in employment arrangements in Ireland. This research, carried out by D/SP, in conjunction with SOLAS, looked at trends in employment arrangements, including trends in precarious work (such as part-time, temporary employment), self-employment, and platform work. The paper will be published shortly and will form the basis for identifying further research to be commissioned on transitions from potentially precarious work (namely part-time, temporary and self-employment without employees).

Investment for a Better Future

Recommendation 4.1: The NCPC recommends

- (i). Continued focus on monitoring and resourcing of, initiatives such as the new Construction Technology Centre, the MMC Demonstration Park and the Build Digital project, to increase innovation that will contribute to productivity and quality improvements in the construction sector.*
- (ii). Ensuring the upskilling of construction workers with the skills relating to Modern Methods of Construction to enable the sector to meet its targets as set out under HFA, NDP and CAP; and that this sectoral upskilling is monitored.*

Responsibility: Department of Further and Higher Education, Research, Innovation and Science; Department of Housing, Local Government and Heritage; Department of Enterprise, Trade and Employment

The Government welcomes the NCPC's recommendations with regard to enhancing skills and productivity in the construction sector, which is a key commitment outlined in the Housing for All strategy. The adoption of Modern Methods of Construction (MMC) has the potential to dramatically improve construction sector productivity, innovation, speed of delivery, sustainability, and ultimately costs.

Extensive work in this area is underway. To accelerate the wider adoption of MMC in the residential construction sector, D/ETE has established, and Chairs, an interdepartmental, and inter-agency, MMC Leadership and Integration Group, which includes representation from the Construction Sector Group. This Group will ensure the cohesive integration and coordination of the various government supported MMC-relevant initiatives and aims to bring forward new actions to support innovation adoption in residential construction.

Initiatives underway include:

- The development of a Demonstration Park for MMC at Mount Lucas, operated by Laois and Offaly Education and Training Board (LOETB),

- The National Construction Training Centre at Mount Lucas, operated by LOETB,
- The Build Digital project (led by the Department of Public Expenditure and Reform,
- The newly established Construction Technology Centre – ‘Construct Innovate’ hosted by a University of Galway consortium and supported by Enterprise Ireland; and
- A range of Enterprise Ireland productivity and innovation schemes being promoted to the domestic residential construction sector under the ‘Built to Innovate’ awareness campaign.

With the Construction Technology Centre now established by a consortium led by University of Galway, the priority in 2023 is to define and commence the Centre’s research work programme in the technology fields identified. Over the next three years, a major focus of the centre will be on advancing innovation and productivity in residential construction.

In the area of public procured contracts, an incremental roadmap will be developed with targets for compliant MMC adoption in residential construction. The provision of a public procured roadmap for MMC will build capacity in the supply chain with resulting delivery and cost reduction benefits.

There is no MMC statutory apprenticeship at present but rather several apprenticeships related to the construction sector which would have similar content embedded in the programmes. There are currently 66 apprenticeship programmes, 25 craft programmes and 40 programmes introduced since 2016. Construction related programmes include electrical, plumbing, carpentry and joinery, plastering, painting and decorating and the recently launched scaffolding apprenticeship. Apprenticeships are also in development in roofing and cladding (L5) and advanced quantity surveyor (L9).

Recommendation 4.2: The NCPC recommends that

- (i). Arrangements are put in place in 2022 to ensure immediate implementation of the recommendations from the Attorney General’s review of the planning code in a systematic and timely manner.*
- (ii). The new planning and environmental division of the High Court is established as a priority, and that it is appropriately resourced to reduce the delays inherent in the current planning system, with specialist training and support being provided for the judges appointed to this new division.*
- (iii). An immediate investigation is undertaken to ensure proper resourcing of planning authorities to ensure that they are not a constraint on the meeting the Government’s infrastructure targets*

Responsibility: Department of Housing, Local Government and Heritage; Department of Justice

The Government welcomes this recommendation which is consistent with Government commitments outlined in the Housing for All strategy and the Programme for Government.

Extensive work is ongoing relating to the review of the planning legislative code being led by the Attorney General. This has included considerable stakeholder consultation through the Planning Advisory Forum and engagement with other Departments and practitioners, as well as engagement with the Joint Committee on Housing, Local Government and Heritage. It is anticipated that the new legislative proposals will be brought to Government before the end of the year. Apart from the legislative progress of the Bill, there will be considerable implementation tasks to update secondary legislation and guidance and provide for necessary resourcing and learning and development for planning practitioners.

The Department of Justice, working with the Courts Service and the Department of Housing, Local Government and Heritage (D/HLGH), are progressing the establishment of a new Planning and Environmental Law Court. Cabinet approval for the establishment of the Court was obtained on 1 November 2022 with extensive work underway to ensure that the Court is operational as early as possible in 2023.

In parallel, the Judicial Planning Working Group (JPWG), established by the Department of Justice in April 2021, is due to report before the end of 2022. The JPWG was set up in line with commitments in the Programme for Government and Justice Action Plan 2021 to “Establish a working group to consider the number of and type of judges required to ensure the efficient administration of justice over the next five years”. Its recommendations will help inform any future judicial resourcing needs, including for the new Planning and Environmental Law Court.

Work has also been advancing with planning authorities, An Bord Pleanála and the Office of the Planning Regulator on their resourcing needs, with specific funding for additional resources provided for in Budget 2023. The annual update of Housing for All commits to continued engagement to monitor resourcing needs particularly in the light of the Planning Legislative Review. This is in tandem with work on learning and development and digitalisation of the planning processes.

Recommendation 4.3: The NCPC recommends

- (i). Identifying ways to facilitate greater investment in, and more rapid delivery of, green energy generation capacity. This includes examining any potential blockages and sources of delay, so that Ireland can achieve the targets set under Climate Action Plan 2021.*

- (ii). *A critical examination be taken of the full regulatory process in relation to the delivery of strategic energy infrastructure to identify delays in the system which undermine efforts to establish a more secure energy supply through decarbonising Ireland's electricity network.*
- (iii). *Ongoing consideration of energy storage solutions in providing a secure supply of energy to Irish businesses and households.*

*Responsibility: Department of Environment, Climate and Communications;
Department of Housing, Local Government and Heritage*

Accelerating Ireland's green energy transition is a priority for the Government, and in this regard the recommendations of the NCPC will be fully considered.

The Climate Action Plan 2021 includes a suite of actions to realise the full potential of Ireland's onshore and offshore renewable energy resources and seeks to transform Ireland into an international leader in the development and generation of high-quality renewable energy. It aims to set a course for Ireland to achieve a low carbon climate resilient future, through sustainable social and economic development.

- The Renewable Electricity Support Scheme (RESS) is one of the major Government policies to help deliver on the ambition in the Climate Action Plan 2021 of up to 80% renewable electricity by 2030. The RESS is an auction-based support scheme which invites grid-scale renewable electricity generation projects to compete to receive a guaranteed price for the electricity they generate.
- Terms and Conditions for the first Offshore RESS have recently been agreed by Government.
- The Climate Action Plan 2021 also sets out a series of actions to enable the delivery of a more comprehensive and consistent planning policy approach for determining renewable energy development at the regional and local level and ultimately increase the deployment rate of electricity from renewable sources.
- There are new regulations that will remove the requirement for planning permission for the installation of rooftop solar photovoltaic (PV) panels on the majority of buildings in the country.
- A dedicated Offshore Wind Delivery Taskforce, led by D/ECC, has recently been established, and is focused on identifying and resolving any obstacles to the delivery of the target of 7GW of offshore wind energy by 2030.

The two most important regulatory hurdles when delivering energy infrastructure are Spatial Planning and Grid Connection.

The planning system as a whole is currently being reviewed and overhauled to reduce delays in the provision of energy infrastructure, housing and other essential investments. D/ECC, D/HLGH and the Attorney General’s office are involved in this exercise. A review of the Planning and Development Act, includes the legal definitions of strategic infrastructure. This will simplify the process by which strategic projects, including energy infrastructure, can apply directly to An Bord Pleanála for planning permission.

In Ireland, the Commission for Regulation of Utilities (CRU) is responsible for grid connection policy. The current system (“Enduring Connection Policy” Stage 2 (ECP-2)) was introduced in June 2020. As determined by CRU, ECP-2 prioritises large renewable energy projects to maximise the amount and efficiency of renewable energy connecting to the grid. It also facilitates community-led renewable energy projects by allocating up to fifteen connection offers per year to such projects.

D/ECC has committed to developing an Energy Storage Policy Framework which is due for publication early next year. To help inform this work, the Department will soon be launching a public consultation. In tandem, CRU has committed to reviewing the regulatory treatment of storage including licensing, charging and market incentives. Work is underway on this review which is due to be complete by end-2023.

In addition, one of the key priorities in the National Energy Security Framework is the preparation of a hydrogen strategy for Ireland. Hydrogen storage could have a significant role to play in power generation as a form of long-term electricity storage, where hydrogen would be used as a backup to renewables to generate electricity during periods of low renewable availability. In addition, domestically produced green hydrogen would reduce reliance on imported fossil fuels, enhancing Ireland’s energy security of supply. A public consultation was recently held on this strategy, with a view to publishing the strategy before year-end.

The Government has commissioned a Review of the Security of Energy Supply of Ireland’s Electricity and Natural Gas Systems in the context of a net zero emissions future. This Review provides a series of options to enhance energy security while achieving significant decarbonisation for energy supply. A public consultation on the review has recently been concluded. The Minister for the Environment, Climate and Communications will bring proposals to Government following consideration of the Review and observations received from the public.

Recommendation 4.4: The NCPC recommends that

- (i). The reasons for ongoing delays in the delivery of water and wastewater infrastructure are investigated, and*
- (ii). actions are taken to remove the identified barriers to efficient delivery of a robust and efficient public utility for water and wastewater.*

Responsibility: Department of Housing, Local Government and Heritage

The key to achieving modern and efficient water services in Ireland has been identified by Government as being the establishment of a national water services authority in public ownership based on the full integration of water services within the organisational structure of Irish Water.

In this way, the Government aims to deliver a world class public water services utility which will deliver best practice, cost effective water services that are focused on customer needs, and effectively support sustainable social and economic development, including housing, in local communities.

Significant milestones which have been achieved or are currently underway to support the necessary transformation in our water services delivery arrangements include -

- The Framework for the future delivery of water services identified with unions at the WRC on 18 June 2024 to enable the full integration of water services into Irish Water.
- The Water Services (Amendment) (No. 2) Bill 2022 which will establish Irish Water as the stand-alone national water services authority by 1 January 2023.
- A new Irish Water - Local Authority master agreement on resourcing issues will be in place by 1 January 2023 to facilitate the integration of each local authority water service into Irish Water's organisation structure by mid-2023.
- Sustained year on year investment in Irish Water infrastructure which is currently being maintained at record levels to meet existing customer and citizen needs for water services and to develop networks and capacity to facilitate new housing and commercial development in urban and rural locations.

The Water Services Policy Statement 2018-2025, which is currently being reviewed, ensures that Irish Water's capital investment programme is closely aligned with the Government's objectives across all investment programmes.

National Development Plan 2021-2030 commits to almost €6 billion in capital investment by Irish Water in the period 2021-2025, of which over €4.5 billion will be Voted Exchequer funding for domestic water services. While it is simply not possible to meet all our water investment challenges overnight, an ambitious and realistic multi-annual investment programme is now in place.

Major drinking water and wastewater infrastructure projects have been delivered including the Cork Lower Harbour Main Drainage Project, the Vartry Water Treatment Plant and Stillorgan Reservoir Upgrade Project and the ongoing Ringsend Waste Water Treatment Plant Upgrade. These projects now provide a significantly enhanced capacity to support the delivery of homes in line with Housing for All in these key strategic

catchment areas. In 2021 Irish Water issued connection offers for 32,404 new housing units in support of Housing for All. It expects to exceed that number in 2022.

CRU as economic regulator oversees Irish Water's capital investment plan and publishes monitoring reports, which provide an overview of Irish Waters progression and delivery of its capital investment plan. CRU has a statutory remit to ensure that Irish Water's public utility role is balanced with serving its customer base and the public interest.

Managing the Costs of Doing Business

Recommendation 5.1: The NCPC recommends that the agreed recommendations made by the Retail Banking Review are implemented swiftly.

Responsibility: Department of Finance

In light of developments in the sector, in November 2021, the Minister for Finance announced that the Department of Finance, with the assistance of other relevant Government agencies and Departments, would undertake a broad-ranging review of the retail banking sector in Ireland.

This Review is expected to be presented shortly to the Minister for Finance for consideration before being subsequently brought to Government.

Decisions on implementing any recommendations put forward in the Review and associated timelines for implementation will be a matter for further consideration by Government on receipt of the Review. Ahead of the finalisation of these recommendations, it is not possible to give a fuller response at this time.

The recommendation of the NCPC with regards swift implementation of the outcome of the Review will be fully taken into account on the review's finalisation.

Recommendation 5.2: The NCPC recommends that:

- (i). As the tapering of government supports to businesses continues, ensure that firms are made aware of the financing options available to them.*
- (ii). As FGLS has expired, CCGS closed on 30 June 2022 and BILS expires in December 2022, consider the implementation of a new State backed SME loan scheme in 2023, should the need and demand arise.*

Responsibility: Department of Enterprise, Trade and Employment

The Government welcomes the views of the NCPC on finance for business. Actions are underway which will fully respond to the recommendations made.

In relation to financing options and ensuring sufficient awareness, in 2023 D/ETE will form a group of key stakeholders to identify and develop policy solutions on the issue of financial literacy in Irish SMEs. The issue of ensuring awareness of financing options will be one of the priority issues to be addressed by this group.

In relation to the provision of state backed loan schemes - the Future Growth Loan Scheme (FGLS) was established to address the market failure in longer term lending for SMEs in Ireland. An independent review of the Future Growth Loan Scheme was completed in Q2 2022 and provided evidence that positive benefits are already arising for many SMEs that accessed finance through this scheme. The review also points to ongoing demand by SMEs for appropriate access to finance options for longer-term finance for investment purposes. However, finance providers continue to face barriers in relation to risk and capital requirements for the provision of unsecured longer-term lending products at a price point that is affordable to SMEs.

With SMEs in Ireland continuing to report a higher investment gap relative to the EU average, it is important that there is ongoing encouragement of SMEs to invest and that appropriate finance options are available to those SMEs that require external finance to fund strategic investments. On that basis, and given the positive evidence emerging from the FGLS, a new long-term lending scheme is being developed by D/ETE and the Department of Agriculture, Food and the Marine (D/AFM). This scheme will provide for lending to SMEs for terms of up to ten years for strategic investment purposes, including for addressing Environmental Sustainability challenges, and will be introduced to the market in the first half of 2023.

In addition, the Government is in the process of finalising a Ukraine Credit Guarantee Scheme (UCGS) which will provide up to €1.2 billion of low-cost unsecured working capital for SMEs, small Mid-Caps, and primary producers, to allow them to spread the costs of an increase in input costs and disruption to supply chains while they move to new suppliers, absorb the cost of disruption and evolve their business models to become more resilient. This proposed scheme is similar in terms of loan type, tenure, and credit amount available as the COVID-19 Credit Guarantee Scheme.

Recommendation 5.3: The NCPC recommends that:

- (i). The CSO continue to expand the SPPI survey with a strong focus on developing granular sectoral data in order to measure services prices.
Responsibility: Central Statistics Office*
- (ii). The Department of Justice proceed to the immediate implementation of the findings from The Review of the Administration of Civil Justice
Responsibility: Department of Justice*

The CSO welcomes the NCPC recommendation with regards the Service Producer Price Index survey.

The Service Producer Price Index (SPPI) measures changes in the average prices charged by service producers to other businesses. At present, the SPPI series produced by the CSO is an experimental series for a limited number of services sectors. Under regulation (EU) 2019/2152 on European Business Statistics (EBS), however CSO will be obliged to extend the coverage of the SPPI to cover virtually all business service sectors (NACE sectors H to N, except K). The sectors which must be covered include Transportation and Storage, Accommodation and Food Service Activities, Information and Communication, Real estate activities, Professional, scientific and technical activities and Administrative and support service activities.

The CSO is currently piloting a new survey of service producer prices. Extending the coverage of the SPPI will require continued investment by the CSO in data collection and analysis, including greater sample sizes to enable the necessary sectoral breakdowns.

The Minister for Justice published the Implementation Plan on Civil Justice Efficiencies and Reform Measures in May 2022. The plan seeks to give effect to the wide-ranging recommendations of the Review of the Administration of Civil Justice. The plan, implementation of which is now underway, is overseen by an implementation group chaired by the Department of Justice and comprising officials from the Departments of Justice, Department of Public Expenditure and Reform, Department of Taoiseach; the Courts Service; and two members of the judiciary, from the Circuit and High Courts.

The plan identifies the actions required to deliver the Review's recommendations, the timeframe for them to be achieved and the body responsible for implementing them.

Some of the key actions for implementation under the plan include:

- The replacement of multiple court documents with a single document to commence legal proceedings
- Simplification of the language and terminology in Rules of Court
- Promotion of video conferencing for the taking of expert and other evidence
- An online information hub to provide dedicated legal and practical information for those considering bringing proceedings without professional representation
- Standardisation of arrangements for naming and vetting of suitability of next friend or guardian ad litem to act on behalf of a child in litigation
- Updated Courts Service Customer Charters to provide more specific measurements for performance and service levels; and

- Legislation to provide for the introduction of a more efficient and more cost-effective regime for discovery and to automatically discontinue cases not progressed in 30 months.

In addition, the plan sets out a number of measures with the aim of reducing legal costs, recognising that no one singular action will have the effect of sufficiently addressing the issue on its own.

The Department of Justice has commissioned Indecon Economic Consultants to undertake an economic analysis of the Review's majority and minority recommendations contained in the Review Report, as well as identifying other potential options which may serve the same policy objective. This research is ongoing and, while the absence of reliable data on legal costs is an issue (and one identified in the NCPC report), it is anticipated that a draft report will be submitted by the end of 2022 to the Department for review. This report, along with a legal analysis of any recommendation options, will inform the development of policy proposals on the matter to be submitted to Government in 2023.

END