National Reform Programme

April 2018

Contents

1. Introduction

Ireland strongly supports the European Semester process, and welcomes the positive innovations that have taken place, such as the advance sharing of the analytical content of the draft Country Report. Preparation of the annual *National Reform Programme* (NRP) is an important part of the European Semester process.

Ireland's economy is growing strongly – growth is broadly based, exchequer returns have grown year-on-year, and employment continues to improve. First estimates show that GDP increased by 7.8% in 2017. The labour market is performing strongly with more than 2.2 million people employed. Unemployment has dropped to 6.1% (March 2018) and is continuing on a downward trajectory.

Ireland has performed relatively well on most of the indicators of the Social Scoreboard supporting the European Pillar of Social Rights.

Notwithstanding Ireland's current economic position, international developments such as Brexit and changing attitudes to trade and tax present uncertainties and challenges. While the future relationship between the EU and UK is not clear, it is generally accepted that Ireland will be the Member State most affected by this. This NRP includes an update on Ireland's response to Brexit.

This NRP also reports on a wide range of targeted policies and strategies in place to address the main challenges and imbalances Ireland faces including those identified in the 2018 Country Report published by the European Commission and Ireland's country specific recommendations for 2017 (covering public finances; public investment and labour market participation; and sustainable resolution of non-performing loans). These policies and strategies follow the Commission's "*virtuous triangle*" of boosting investment, pursuing structural reforms and ensuring responsible public finances as set out in the *Annual Growth Survey*.

Project Ireland 2040

Project Ireland 2040 was launched in February 2018. It brings together an overarching *National Planning Framework* for Ireland up to 2040, alongside a ten-year capital investment programme of €116 billion. It aligns investment priorities with long-term economic, social and environmental objectives, including challenges arising from developments like Brexit.

Housing and Spatial Planning

The Government, through *Rebuilding Ireland – Action Plan for Housing and Homelessness*, and arising from the recent focused *Rebuilding Ireland* review, has prioritised measures to stimulate housing supply at more affordable prices and rents.

Labour Market Activation and Participation

Since 2012, the *Action Plan for Jobs* has played a crucial role in job creation and reducing unemployment from a high of 16% to the current level of 6.1%. One of the priorities in the *Action Plan for Jobs 2018* is to increase labour market activation and participation and to ensure that existing and future skills needs are met.

Pathways to Work is the main Government initiative encouraging access to the labour market and increased participation in employment. It is complemented by the *Action Plan for Jobless Households*, the *National Disability Inclusion Strategy*, and the *Comprehensive Employment Strategy for People with Disabilities*.

Skills challenges

Since the beginning of 2016, significant reforms have been introduced to identify and address skills requirements in various sectors and to work towards providing a system for responding to existing and future skills needs. The *National Skills Strategy 2025*, *Regional Skills Fora*, *STEM Education Policy Statement 2017-2026*, the *Action Plan for Education 2016-2019* and the ongoing work of the *Expert Group on Future Skills Needs* will enhance the ability to respond to existing and future skills needs. The central vision contained in the *Action Plan for Education* is to make the Irish education and training system the best in Europe by 2026.

Healthcare reform

The *Sláintecare Report*, published in May 2017, sets out a ten-year vision for the future of the Health Service. The Government is committed to the implementation of a programme of reform arising from the *Sláintecare Report*. An Implementation Office is being established in the Department of Health to drive the reform agenda and several early stage actions have already been taken based on the key recommendations in the *Sláintecare Report*.

Climate Action

The first statutory *National Mitigation Plan* published in July 2017, provides a framework to guide investment decisions by Government in domestic measures to reduce greenhouse gas emissions. While this first Plan does not provide a complete roadmap to achieve Ireland's 2050 transition objective, it has however, established the framework for the development and implementation of medium-to-long-term policy mitigation options to achieve progressive emissions reductions for the next and future decades.

Furthermore, the first statutory *National Adaptation Framework* published in January 2018, provides the context to ensure local authorities, regions and key sectors can assess the key risks and vulnerabilities of climate change, implement climate resilience actions and ensure climate adaptation considerations are mainstreamed into all local, regional and national policy making.

This NRP also reports on progress towards Ireland's Europe 2020 targets across the five headline targets of: *Employment*; *Research and Development*; *Climate Change and Energy*; *Education*; and *Poverty reduction*.

Finally, the NRP also reports on the use of structural funds and on stakeholder engagement, which is regarded as an important part of the European Semester process.

2. Macroeconomic Context and Scenario

First estimates show that GDP increased by 7.8% in 2017. This is 3.5 percentage points higher than assumed at the time of the Budget reflecting, in the main, statistical factors – a surge in contract manufacturing[1] activity and royalty exports in the second half of the year – which have a limited, if any, impact on Irish living standards.

Short-term prospects for the global economy are generally favourable at present. In terms of Ireland's key export markets, growth in the euro area has surprised on the upside of late, and solid growth is anticipated once again this year. In the US, several factors, including fiscal stimulus, should help support continued expansion. Prospects for the UK economy remain uncertain; the most likely outcome involves a slowdown in the pace of growth as rising inflation dampens consumer spending and uncertainty regarding post-EU exit trading arrangements weighs on investment spending.

Against this generally favourable external backdrop, Irish exports are forecast to grow by 6.9% this year. This projection assumes that exports associated with contract manufacturing boost the headline export figure. On an underlying basis, Ireland's export performance is projected to decelerate this year reflecting *inter alia* a moderation in service exports from double-digit growth recorded last year.

Underlying domestic demand – that is excluding volatile components of investment spending - is projected to make a strong contribution to growth this year. Robust growth in real household incomes, solid consumer confidence and ongoing improvements in household balance sheets will continue to support private consumption which is forecast to increase by 2.6% this year.

Investment is set to increase by 8.5% this year, with positive contributions expected from all components of capital formation. The forecasts assume that investment in intangible assets and aircraft return to more "normal" rates of growth this year. These components are extremely volatile and are primarily responsible for the unpredictability of headline investment in recent years. However, large swings in these components are GDP-neutral in the short-term, due to the high import-content of such spending. On an underlying basis, investment is forecast to accelerate this year. Building and construction spending is forecast to increase by 12.8% – with strong contributions from both residential and non-residential investment – while machinery and equipment spending should benefit from the acceleration in domestic demand and continued strength in external demand.

[1] Contract manufacturing is a form of outsourcing where a company in Ireland engages a company abroad to manufacture products on its behalf (and vice versa).

Imports of goods and services are expected to grow by 6.6% this year broadly in line with growth in final demand. This assumes an increase in the level of imports of aircraft and intellectual property this year.

Overall, therefore, GDP is forecast to increase by 5.6% this year, with GNP also expected to increase by 5.6%.

Continued output growth is expected to translate into further employment creation, with the level of employment expected to increase by 60,000 (2.7% this year). The increase in employment has been broadly-based with gains evident across most sectors of the economy in recent years; this sectoral trend is expected to continue this year.

Unemployment has fallen significantly since its peak of 16% in 2012, with both short and long-term unemployment on a steady downward trajectory in recent years. For this year, employment growth is expected to exceed the growth in the labour force once again, so that unemployment is set to fall further. The latest figures show an unemployment rate of 6.1% in March 2018 and, for the year as a whole, the unemployment rate is projected to average 5.8% of the labour force.

After a number of years of modest earnings growth (at least at an aggregate level), available evidence points to a modest pick-up in wage inflation in recent quarters. The decline in the unemployment rate is likely to be associated with an increase in hourly pay of around 2.1% this year.

SPU 2018 Forecasts

	2017	2018	2019	2020	2021
% change unless specified	year-on-year change				
Real GNP	6.6	5.6	3.7	3.1	2.6
Real GDP	7.8	5.6	4.0	3.4	2.8
Employment	2.9	2.7	2.3	1.9	1.7

3. Key policy responses to major economic challenges

Project Ireland 2040

Project Ireland 2040 was launched in February 2018. It brings together an overarching *National Planning Framework* for Ireland up to 2040, alongside a ten-year capital investment programme of €116 billion. It aligns investment priorities with long-term economic, social and environmental objectives, including challenges arising from developments like Brexit.

It includes a detailed capital investment plan for the period 2018 to 2027 - the *National Development Plan 2018-2027*, and the 20-year *National Planning Framework 2040*.

The Planning Framework has been developed in parallel with the capital investment plan; this is the first time such a coordinated approach was taken to public investment in infrastructure in a way that ties in with national spatial priorities. *Project Ireland 2040* sets out 10 Strategic Outcomes, which highlight the new approach it proposes. Further detail is set out in Annex 1

3.1. Brexit

Impact of Brexit

The decision of the UK to leave the EU presents uniquely significant and unprecedented political, economic, social and diplomatic challenges for Ireland, given the extent of the inter-connectedness of the economies and people. These are challenges both to Ireland's peace and prosperity, and how they are dealt with in the months and years ahead may have significant impacts for Ireland into the future.

Brexit, and the related currency fluctuation, is already having impact in some important sectors of our economy. This is reflected in the survey *Brexit – the views of Irish SMEs* (January 2018), which was commissioned by the Department of Business, Enterprise and Innovation and examines the current and potential future impact of Brexit on Irish SMEs.

Ireland has undertaken extensive internal analysis and external consultation and research and analysis is continuing. The Department of Foreign Affairs and Trade has established a *Brexit Stakeholder Forum* to bring together key stakeholders with a view to regularly updating members on the progress of Brexit negotiations. This forum, along with wider and deeper stakeholder engagement being undertaken by all Government Departments, is facilitating the sharing of sectoral concerns to enable wider understanding of Ireland's overall priorities for negotiations and providing a platform for sectoral and EU expertise to underpin the Government's comprehensive and cohesive approach to Brexit.

The extensive analysis being undertaken by Government ranges across all issues and key sectors that may be impacted by the consequences of Brexit. This work is helping to shape Government's approach to the EU-UK negotiations, as well as its wider response to the challenges posed by Brexit. (This research and analysis is available to read at https://www.dfa.ie/brexit/research-and-analysis/.) The scale of the impact of Brexit on Ireland is clear from these reports which highlight particularly vulnerable sectors.

The Copenhagen Economics report – *Ireland and the Impacts of Brexit* - commissioned by the Department of Business, Enterprise and Innovation and published in February 2018, gives a detailed economic analysis of the possible implications of Brexit. Four long term scenarios are modelled (on a "no policy change" basis), from an EEA scenario to a (worst-case) WTO scenario. All scenarios produce a result that is less favourable than that which currently pertains, with the WTO scenario the most negative. While the economy is still projected to grow even under such a scenario, it is estimated that GDP would be almost 7% below what would otherwise have been the case in a no Brexit scenario, by 2030. An EEA-like scenario would be least harmful, GDP in 2030 being 2.8% lower than if Brexit had not happened.

The report found that five sectors (agri-food, pharma-chemicals, electrical machinery, wholesale & retail, and air transport) account for the vast majority of the total impact of Brexit. The impact of Brexit is particularly large in some sectors as a result of either the large scale of Irish-UK trade in the sector, or the scale of the Brexit impact in the specific sector.

These findings are important not only in shaping Ireland's approach to the EU-UK negotiations, but also in informing its domestic response and the Government has already taken action in order to get Ireland Brexit ready. The *Expert Group on Future Skills Needs* has recently completed a study on *Addressing the Skills Needs Arising from the Potential Trade Implications of Brexit*. In addition, a range of other Government studies have recently been completed or are underway – including a study examining the Import Content of Irish Exports: *Implications of Brexit for Inputs and Competitiveness, UK EU Exit: Trade Exposures of Sectors of the Irish Economy in a European Context,* and *Brexit: Analysis of Import Exposures in an EU Context*.

Initial Response

Since the UK referendum, the Government has responded swiftly and taken important steps to prepare the economy and to deliver a strategy that protects and advances Ireland's interests, including through the *Action Plan for Jobs 2017* and *2018*, *Building Stronger*

Business, and the *Trade and Investment Strategy*. Budget 2018 contains several measures designed to ensure that enterprises in Ireland are prepared for a potentially more difficult trading environment.

A new €300 million *Brexit Loan Scheme* for Business was launched on 28 March 2018. It provides affordable financing to eligible Irish businesses with up to 499 employees that are currently impacted by Brexit or will be in the future. The finance is easier to access, more competitively priced, and at more favourable terms than current offerings e.g. a maximum interest rate of 4%. It is being delivered by the *Strategic Banking Corporation of Ireland* through participating finance providers, to get much needed low-cost working capital into Irish businesses. The total Exchequer funding of the scheme is €23 million, 40% of which will be made available to food businesses.

Over €50 million was allocated to the Department of Agriculture, Food and the Marine for a comprehensive package of Brexit response measures. This includes a €25 million *Brexit Response Loan Scheme* for the agri-food sector and additional supports for capital investment in the food industry and *Bord Bia* marketing and promotion activities. These schemes will be developed in 2018 in cooperation with the *Strategic Banking Corporation of Ireland* and others.

In November 2017, the Department of Business, Enterprise and Innovation received approval from the European Commission for a 'rescue and restructuring scheme'. Under the €10 million scheme, which will run until 2020, *Enterprise Ireland* (the Government organisation responsible for the development and growth of Irish enterprises in world markets) can offer restructuring support to SMEs in financial difficulty. In particular, the scheme will provide support if a company's failure is likely to trigger job losses. It aims to avoid situations where value-creating and viable SMEs, with the potential to restore their competitiveness, are prevented from accessing finance from credit markets.

The Department of Business, Enterprise and Innovation has been allocated almost €871 million for 2018 to enable, amongst much else, the recruitment of up to 50 additional staff across the Department and enterprise agencies to bring the total additional Brexit related posts up to 100 in 2018 and to ensure a joined-up response to Brexit.

Market and trade diversification is increasingly important in light of Brexit. Increased funding has also been granted to the Department of Foreign Affairs and Trade to expand Ireland's global footprint, including the opening of six new resident diplomatic missions in Chile, Colombia, Jordan, Vancouver, Mumbai and New Zealand. This will support delivery of the Government's trade strategy - *Ireland Connected: trading and investing in a dynamic world*. Additional funding will also be directed towards augmenting Brexit resources, following recent steps to increase staff numbers working on Brexit at HQ and in major European capitals like Brussels, Berlin, Paris and London.

As announced in Budget 2018, an additional capital expenditure allocation of €4.3 billion over 2018-2021 will be central to Ireland's response to Brexit and will allow the State and its agencies to properly plan major infrastructure projects while ensuring communities and businesses can plan ahead.

In order to help address overall uncertainty about the outcome of the Brexit process, its impact on Ireland's tourism sector and on Border counties in particular, Budget 2018 also contained a commitment by the Government to leave the VAT rate on the tourism and services sector unchanged at 9%.

Other measures highlighted in Budget 2018 which will help to mitigate Brexit risks include the establishment of a *Rainy Day Fund* and increased investment in higher education.

Our longer-term economic strategies will also be critically important in addressing the challenges of Brexit, notably *Project Ireland 2040*. *Project Ireland 2040* allocated €347 million over the period 2019-2021 for the establishment of four new funds related to Rural and Urban Development, Disruptive Technologies Innovation and Climate Change. *Enterprise 2025 Renewed* is also relevant in this regard and Ireland is in active discussions with the *European Investment Bank* for a potential increase in investment in the country.

Brexit is a key theme in the *Action Plan for Jobs 2018* which contains 12 specific actions to respond to the UK decision, including increasing national, sectoral and firm preparedness to ensure that companies exposed to Brexit anticipate the need for change, respond and adapt; intensifying and diversifying trade; and improving access to finance. It captures Ireland's response to a more volatile and changing external environment by strengthening the resilience and agility of our enterprise base.

Enterprise Ireland is working with firms to support product and service innovation, the adoption of lean systems, smarter sourcing strategies, and the identification of new overseas markets. *Enterprise Ireland* is also working with those companies most exposed to Brexit to develop growth plans to diversify their exports to other geographies, particularly in the Eurozone, Northern Europe, the US and Canada. An expanded programme of trade and investment missions, events and study visits is being run in 2018.

Investment opportunities arising from Brexit in the context of the Government's International Financial Services (IFS) Strategy will be maximised and Ireland will be developed as an attractive location for mobile, globally renowned researchers, including UK based researchers, using and adapting *Science Foundation Ireland* programmes such as

Research Professorship, *Future Research Leaders*, *Investigators Programme*, and *European Research Council* support schemes.

Enterprise and Trade Policy

Following a review of Ireland’s long term enterprise policy, *Enterprise 2025 Renewed* was published in March 2018. *Enterprise 2025* was first drafted in 2015 to set out longer-term ambition for enterprise growth and job creation over the decade to 2025. *Enterprise 2025 Renewed* reinforces the core premise of Ireland’s enterprise model to deliver higher standards of living for all based on export-led growth and higher productivity.

Building Stronger Business was published in November 2017 by the Department of Business, Enterprise and Innovation and sets out work underway and planned by the Department and its Agencies specifically in response to Brexit, including supports available to companies to help them prepare for Brexit. That Department also published a short brochure outlining these supports for business to get Brexit ready.

Ireland’s state agencies continue to support businesses across all sectors in mitigating the impact of Brexit. *Failte Ireland* has developed a customised suite of supports to assist businesses in the tourism sector in planning for Brexit. *Bord Bia* is supporting those in the food and drinks industry, through assisting companies to ease market volatility impacts, providing consumer and market insight, deepening customer engagement and extending market research. *Bord Iascaigh Mhara*, Ireland's seafood development agency, continues to emphasise the importance of the fisheries industry in the Brexit negotiations.

SMEs

A range of supports are available for SMEs and have been promoted by the Government’s *Supporting SMEs* campaign.

Enterprise Ireland has launched a range of supports for SMEs to encourage businesses to prepare for Brexit. The *Brexit SME Scorecard* online tool allows Irish companies to self-assess their exposure to Brexit under six business pillars. Based on answers supplied by the user, the *Scorecard* generates an immediate report which contains suggested actions and resources, and information on events for companies to attend, to prepare for Brexit. A *Be Prepared Grant* is available to SMEs who would benefit from further research and the use of external expertise in developing this plan.

Enterprise Ireland are also running a series of *Brexit Advisory Clinics* around Ireland to help companies plan and take immediate action to effectively mitigate the risks and avail of the opportunities that Brexit poses, increasing business' resilience and making practical business sense, irrespective of Brexit.

The *Local Enterprise Offices* (LEOs) are the 'first-stop-shop' for providing advice and guidance, financial assistance and 'soft' supports in the form of training and mentoring to anyone wishing to start or grow a business. The LEOs can offer direct grant aid to microenterprises (10 employees or fewer) in the manufacturing and internationally traded services sectors which, over time, have the potential to develop into strong export entities. The LEOs also provide a 'signposting' services to all relevant State supports available.

Additional €4 million in capital funding secured in Budget 2017 and maintained in 2018, has continued to support Brexit initiatives on offer through the LEOs which are focused on information and awareness, market diversification, increased competitiveness, and promoting innovation so that LEO client companies can better cope with the challenges arising on foot of Brexit, as well as explore any opportunities presented. In addition to Brexit related mentoring and training, the LEOs also deliver specific Brexit initiatives for micro-enterprises, including:

- LEO Competitive Fund for Innovative Micro Enterprises: this new competitive initiative incentivises LEO clients to engage in innovation to develop New Product, Process or Markets;
- Technical Assistance Grants for Micro Export to the LEO suite of grants provides an incentive for LEO clients to explore and develop new market opportunities; and
- The LEO's have developed a Lean4Micro offer for micro enterprise clients.

InterTrade Ireland (*ITI*) is a cross-border trade and business development body funded by Department of Business Enterprise and Innovation in Ireland and the Department for the Economy in Northern Ireland. *ITI* helps small businesses explore new cross-border markets, develop new products, processes and services and become investor ready. *ITI* is especially well-positioned to help businesses both prepare for and address challenges that Brexit may present for cross-border trade. Amongst its range of services and supports, *ITI* launched a new dedicated *Brexit Advisory Service* in May 2017. This Service offers businesses a number of supports, including vouchers (valued at €1,000 allowing them to fund specialist advice), technical and commercial advice, information on currency hedging and an interactive information tool explaining the technical language related to Brexit. In addition, *ITI* is establishing a Sectoral Advisory Panel, consisting of experts with hands-on exporting experience in specific sectors, to help *ITI* assess the impact of Brexit changes on particular sectors as negotiations evolve.

Negotiations

Achieving the best possible outcome for Ireland in the negotiations remains a central dimension of Ireland's strategic response to Brexit. In this regard, the Government is continuing to work closely with EU partners and the European Commission Task Force to ensure that Ireland's interests are advanced and that the EU's position continues to take account of the unique impacts that Brexit will have on Ireland.

As negotiations continue, we will keep our policy response under review and will also make a strong case at EU level that Ireland will require support that recognises where Brexit represents a serious disturbance to the Irish economy.

In parallel, and in line with the approach across the EU27, intensive work on a no-deal or worst-case outcome is also ongoing. Its focus is on the immediate regulatory and operational challenges which would result from such an outcome. It assumes a trading relationship based on the default WTO rules, but also examines the possible effects on many other areas of concern. This work is therefore providing baseline scenarios for the impact of Brexit across all sectors, which can then be adapted as appropriate in light of developments in the EU-UK negotiations, including in regard to transition arrangements and the future relationship. It also takes account of the planning being undertaken at EU level by the new Commission Preparedness Unit, which is issuing information notes aimed at different business sectors.

3.2. Public Finances (incl. CSR 1)

CSR 1: Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact. Use any windfall gains arising from the strong economic and financial conditions, including proceeds from asset sales, to accelerate the reduction of the general government debt ratio. Limit the scope and the number of tax expenditures and broaden the tax base.

MIP IDR: Public debt, External sustainability

(i) Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact.

Budget 2018 forecasts a reduction in the structural budget deficit from 1.1% of GDP in 2017 to 0.5% of GDP in 2018. This corresponds to a fiscal effort of 0.6%, in compliance with Ireland's obligation under the Stability and Growth Pact.

The *2017 Spending Review* process (see section 3.3) underpins prudent and sustainable expenditure increases. In 2017 year-on-year expenditure grew by 4.25% compared to a growth in tax receipts of 6%. Indeed, 2017 represented the third year of prudent structural growth in expenditure. Between 2014 and 2017 increases in current spending, in both absolute and percentage terms, have represented less than half of the increases in tax and PRSI revenues over the same period.

(ii) Use any windfall gains arising from the strong economic and financial conditions, including proceeds from asset sales, to accelerate the reduction of the general government debt ratio.

In relation to the use of "windfall gains"– Ireland has already adopted this approach with the use of the proceeds of the sale of a part of AIB to reduce public debt. €3.4 billion in receipts was raised in disposing of AIB shares in 2017. Future one-off receipts of this nature will be used to further accelerate debt reduction.

The debt-to-GDP ratio continues to decline and is projected at 69% at the end of 2018. It is also important to consider Net public indebtedness in Ireland – that is the general government sector's financial liabilities less its financial assets. This is forecast at around 59.6% of GDP at the end of 2018. This takes into account financial assets amounting to around 9.3% of GDP at end-year. It does not, however, take into account the State's remaining assets in the domestic banks; as these are disposed of over time, the outstanding amount of both gross and net debt will decline.

(iii) Limit the scope and the number of tax expenditures and broaden the tax base

The income tax package in Budget 2018 focused on reducing the tax burden on low to middle income earners, while maintaining a broad tax base.

The Budget 2018 income tax package comprised primarily of an increase of €750 in the point of entry to the higher rate of income tax and reductions to two of the lower rates of the Universal Social Charge (USC). It also included increases to two targeted income tax credits, the Home Carer Credit and the Earned Income Credit. The entry threshold to USC did not change and there were not general increases to income tax credits, so the existing breadth of the income tax and USC bases were maintained.

The total full year cost of the Budget 2018 tax reductions will be under €400 million, a relatively limited cost in the context of a projected income tax yield for 2018 of approximately €21.4 billion, and less than the cost of indexing the income tax system in line with inflation, which would have been in the region of €550 million. The non-indexation of income tax credits and rate bands in general was a base-broadening aspect of Budget 2018.

In Budget 2018, the Minister for Finance and Public Expenditure and Reform introduced a cap of 80% on the amount of capital allowances for intangible assets, and any related interest expense, that may be deducted from income arising from intangible assets in an accounting period. The cap was reintroduced in line with the recommendation in the independent *Review of Ireland's Corporation Tax Code* published in September 2017. The reintroduction of the cap was recommended on the basis of ensuring some smoothing of corporation tax revenues over time. These changes apply to claims made in respect of expenditure incurred by a company on intangible assets from the 11 October 2017.

A tax on sugar sweetened drinks was introduced in Budget 2018. While this is primarily a health driven initiative, it will give rise to additional revenue and can be seen as a base broadening measure.

With regard to the concerns that the change in the rate of stamp duty for non-residential property increases reliance on transaction-based taxes, stamp duties represent only a small proportion of Ireland's overall tax forecast, averaging 3.25% over the 2018 – 2021 period. The increase in rate represents a pre-emptive measure to ensure imbalances do not arise. The construction sector needs to meet an increase in demand for housing; however, this cannot be done at the expense of long term fiscal and macro-economic stability. Tax policy is well established as a tool by which to dampen the boom phase of a commercial property cycle. By increasing the rate of stamp duty on non-residential property back towards its historical average, the change removes an incentive that is no longer needed and discourages speculative activity.

A comprehensive study of all aspects of the 9% VAT rate will be undertaken by the Department of Finance ahead of Budget 2019 while work has also commenced on a Carbon Tax review and it is expected that this will also be completed to inform Budget 2019.

3.3. Public investment, enhancement of social infrastructure, labour market (incl. CSR 2)

CSR 2: Better target government expenditure, by prioritising public investment in transport, water services, and innovation in particular in support of SMEs. Enhance social infrastructure, including social housing and quality childcare; deliver an integrated package of activation policies to increase employment prospects of low-skilled people and to address low work intensity of households.

(i) Better target government expenditure

The Country Report for Ireland acknowledges the benefit to the Budget process of the Spending Review. The *2017 Spending Review* was the first in a series of rolling, selective reviews, which will cover the totality of Government spending over a three year period to 2019. This process allows for the systematic examination of existing spending programmes to assess their effectiveness in meeting policy objectives and to identify scope for re-allocating expenditure to meet expenditure priorities. The first year of the review resulted in the publication of over 20 papers, examining a wide range of policy areas, including acute services in health, special educational needs provision and Public Service Obligation expenditure on public transport. This provided a robust evidence base for Estimates 2018 discussions. Building on this output, the intention is that the Spending Review in 2018 will further reinforce the more structured and systematic means of analysing spending focusing on an assessment of efficiency, effectiveness and sustainability. The *2018 Spending Review* will continue to support the development of better policy options for Government by broadening and deepening the knowledge of a range of complex policy areas to facilitate future discussions regarding the evolution of Government expenditure.

Looking forward, strengthened economic growth combined with continued careful management of the public finances mean that it is possible to increase public expenditure modestly once again in 2018. Public spending is now firmly on the path of steady and sustainable expenditure planning, and sensible spending is at the core of the budgetary process. The focus of increases in public expenditure will impact broadly across all sectors and regions; with particular focus in the areas of Health, Education and Social Protection.

(ii) Prioritising Public Investment in Transport

In Budget 2018 the Department of Transport, Tourism and Sport was allocated an additional €1.258 billion in capital expenditure over 2018-2021. This will facilitate investment in new transport infrastructure and services and a step-up in maintenance spending on existing infrastructure towards the levels required to protect the current stock.

Total investment in roads in the period to 2021 will now exceed €4 billion. This will allow increased expenditure on road rehabilitation and renewal across the country and allow additional road improvement projects to be progressed aimed at addressing bottlenecks and improving regional connectivity. This will contribute to the aim of developing the full potential of regions in Ireland.

In the longer term, *Project Ireland 2040* recognises the strategic and integrative role transport plays in both urban and rural areas throughout the country, with a clear commitment and supporting investment to inter-urban connectivity, as well as enhancing connectivity with ports and airports. Funding has also been committed for a number of major transport projects, under a number of the ten different National Strategic Outcomes of the Plan (e.g. Enhanced Regional Accessibility, Sustainable Mobility, High-Quality International Connectivity, Strengthened Rural Economies and Communities).

Public transport investment priorities include:

- Metro Link scheme to run from Swords, via Dublin Airport to Dublin's south city centre (operating in tunnel under the city centre) and onwards to Sandyford using the existing Luas Green Line to ensure that growth along this corridor can be accommodated;
- Delivery of priority elements of the DART Expansion Programme including investment in new train fleet, new infrastructure and electrification of existing lines. When fully implemented the enhancements to the heavy rail system will create a full metropolitan area DART network for Dublin with all of the lines linked and connected. This integrated rail network will provide the core high capacity transit system for the region and will deliver a very substantial increase in peak-hour capacity on all lines from Drogheda, Maynooth, Hazelhatch and Greystones;
- BusConnects to radically transform public transport in the Greater Dublin Area and Ireland's cities (inclusive of ticketing systems, bus corridors, additional capacity, new bus stops and bus shelter, park and ride etc.);
- Transition to low emission buses, including electric buses, for the urban public bus fleet, with no diesel-only buses purchased from July 2019, while promoting commercial bus services and small public service vehicle industry to pursue low emission fleet;
- Delivery of comprehensive cycling and walking network for Ireland's cities;
- Investment to protect the quality and value of past investments (maintenance and renewal); and
- Undertake appraisal, planning and design of new Light Rail extensions to ensure that they are ready when and where they are needed.

In addition to these, there will be continued investment in sustainable transport projects including traffic management and other smarter travel projects along with new urban and cycling routes in Ireland's cities to allow transport infrastructure to function more effectively and relieve congestion.

(iii) Prioritising Public Investment in Water Services

Investment of €8.5 billion by Irish Water is provided for in *Project Ireland 2040* over the period to 2027, for investment in water and waste water projects across the country. The planned investment seeks to strike a balance between the demand for water infrastructure investment and the constraints that currently exist in terms of affordability, planning requirements and supply chain issues. It includes:

- €2.9 billion to ensuring a safe and reliable water supply;
- €2.4 billion to provide effective management of wastewater;
- €1.7 billion in major projects such as the Greater Dublin Drainage Project and the Eastern and Midlands Water Supply Project;
- €0.7 billion to support social and economic growth;
- Eastern and Midlands Water Supply Project - involves a 170 km pipeline with supporting infrastructure (water treatment plant, pumping stations and terminal point reservoir) to ensure that the long-term (2,050+) water supply needs of the Dublin Region are met in a sustainable manner. Current Status: At consultation stage, estimated cost: €1.2 to €1.3 billion;
- Greater Dublin Drainage Project - c. €500 million major wastewater treatment plant for the Dublin region;
- National programme of investment to tackle leakage through find and fix (active leakage control) and water mains rehabilitation of over €500 million (of which €250 million will be in the period to 2021);
- Cork Lower Harbour Main Drainage Project (€55 million);
- Athlone Main Drainage Project (€36 million);
- Kerry Central Regional Water Supply Scheme Project (€33 million);
- Donegal Bundle of new sewerage schemes in Killybegs, Bundoran, Glencolumbcille and Convoy (€26 million); and
- Killala, Foxford and Charlestown Sewerage Schemes (€19.4 million).

Following Estimates 2018, over €164 million funding has been allocated over the period 2018 to 2021 for (non-Irish Water) investment in water infrastructure including: €95 million for the Rural Water Programme; and €41 million for legacy issues in relation to lead pipe remediation and developer provided infrastructure, mainly in housing schemes.

(iv) Prioritising Public Investment in innovation in particular in support of SMEs

Public expenditure on R&D was an estimated €768 million in 2017, the highest level since 2011.

In Budget 2018, the Department of Business, Enterprise and Innovation was allocated an additional €310 million in capital expenditure over 2018-2021. A new Disruptive Technologies Innovation Fund of €500 million over the period 2019-2027 was announced in

Project Ireland 2040 for the development and deployment of disruptive innovative technologies and applications on a commercial basis targeted at tackling national and global challenges.

Building excellence in strategically important research areas of relevance and impact to the economy and society is crucial to supporting innovation in enterprise in Ireland, including supporting the commercial opportunities of SMEs. In this regard, a revised research prioritisaton strategy, *Research Priority Areas 2018 to 2023*, with which the majority of competitively awarded public R&D funding will be aligned, was launched in March 2018.

The recently launched *Enterprise 2025 Renewed* also makes recommendations to promote collaboration and clustering in Ireland's enterprise base and the innovation ecosystem to promote innovation capacity in SMEs.

Enterprise Ireland drives innovation in Irish industry, including SMEs, by developing in-company capabilities and by leveraging all assets components of the innovation ecosystem, such as the higher education system, the investor community, the foreign direct investment multinational base and international funding/expertise to support company innovations. It also helps realise the commercial potential of the Irish research community.

Of specific benefit to SMEs are the:

- *In-Company RD&I Fund* - designed to provide support for research, development and technological innovation relevant at all stages of company development;
- *Innovation Partnership* - encourages Irish-based companies to work with Irish research institutes resulting in mutually beneficial co-operation and interaction;
- *Innovation Vouchers Programmes* - assists companies to explore a business opportunity or problem with a registered knowledge provider;
- *Technology Centres* - a joint initiative between *Enterprise Ireland* and *IDA Ireland* allowing Irish companies and multinationals to work together on research projects in collaboration with research institutions;
- *Technology Gateways Programmes* - delivers technology solutions for industry through innovative collaborative projects; and
- *Regional Enterprise Development Fund (REDF) scheme* - supports new collaborative and innovative initiatives that can make an impact on enterprise development in the region/across regions to build the distinctive capabilities to grow the regions.

Enterprise Ireland has introduced a number of new supports for innovation specifically targeting SMEs, such as:

- The *Business Innovation Initiative* (BII) to drive innovation beyond selling products based on technical innovations providing more customer focused process and service solutions;

- A *Small Business Innovation Research (SBIR) Initiative*, which enables public sector bodies to connect with companies that have innovative ideas and technologies and is aimed at providing novel solutions for specific public sector 'identified challenges', providing significant business opportunities for innovation focused companies; and
- New initiatives to equip graduates and researchers with the key skills required by the enterprise base are underway. *Career-FIT*, a postdoctoral fellowship programme, co-funded with *Horizon 2020*, helps experienced researchers develop their careers in market focused applied research through a three-year placement in companies through *Enterprise Ireland*'s *Technology Centres*.

EU funding in the form of the *SME Instrument* is available and is specifically targeted at single or groups of highly innovative SMEs with international ambitions, determined to turn strong, innovative business ideas into winners on the market. The instrument provides full-cycle business innovation support from the stage of business idea conception and planning over business plan execution and demonstration to commercialisation.

Ireland has the highest success rate in Europe for the *Horizon 2020 SME Instrument* with a 16% success rate, compared to a European average of 6%.

Ireland delivers value for money on its R&D expenditure, recording the highest impact from R&D activities on labour productivity growth in the EU at 30%. Ireland comes top in the EU for Employment Impacts, with the highest score for employment in knowledge-intensive activities and for employment in fast-growing firms of innovative sectors. Ireland also has the overall top score for Innovators with the highest score in the EU for SMEs innovating in-house and second highest for SMEs with product or process innovations and marketing/ organisational innovations.

A new *Key Employee Engagement Programme* (KEEP) was introduced in Budget 2018 with the objective of assisting SME companies in competing with larger enterprises to recruit and retain key staff. KEEP allows a more beneficial tax treatment for gains realised on the exercise of qualifying share options allocated to employees of unquoted SME companies. KEEP received State Aid approval from the European Commission prior to its commencement in January 2018.

(v) Enhance social infrastructure including social housing

Funding of €11.6 billion has been allocated for investment in social housing in *Project Ireland 2040*, which will facilitate the provision of 112,000 social housing homes over the period 2018-2027. In addition, €2 billion has been allocated for an *Urban Regeneration and Development Fund* over the period 2019-2027 to promote co-ordinated investment in renewal and redevelopment to encourage compact growth and densification of our cities and towns.

Through delivery of the Government's *Rebuilding Ireland Action Plan*, the Government is committed to accelerating and enhancing the supply of social housing and over the period 2016-2021 will meet the housing needs of over 137,000 households. Within this delivery ambition, Government is very focused on accelerating build activity and a strong delivery pipeline for local authorities and Approved Housing Bodies is in place making progress with delivery. In addition, acquisition and leasing streams are continuing to deliver for households on waiting lists. It will take time for the measures undertaken to have an effect.

Targeted investment by the Government in public infrastructure including transport, water and community infrastructure, through inviting local authorities to bid for funding for infrastructure projects, will open up strategic housing development sites and will meet spatial planning priorities. In particular, the *Local Infrastructure Housing Activation Fund* (LIHAF) provides funding for key transport and other public infrastructure in areas of high housing demand by means of targeted selection of the infrastructure projects that will provide the best return in terms of delivering accelerated housing supply, increased social housing, and meet spatial planning objectives.

For further detail see section 3.5 below.

(vi) Enhance social infrastructure including quality childcare

Significant investment is also committed under *Project Ireland 2040* for supporting social infrastructure including €400 million for childcare.

Public investment in early childhood care and education has risen significantly in recent years, though from a low base by international standards, from €260 million in 2015 to €486 million in 2018 (which does not include Department of Education and Skills funding on Early Years in the primary school junior cycle/children under six).

A range of measures in recent years have aimed to improve the quality, affordability and accessibility of childcare, including:

- Introduction in 2010 of a universal free pre-school programme (the '*ECCE*' programme);
- Introduction in 2016 of the *Access and Inclusion Model (AIM)*, which supports inclusive practice and the full inclusion of children with disabilities within the *ECCE* programme;
- Implementation of measures to improve the quality of early childhood care and education; and
- Ongoing implementation and development of targeted schemes to support the affordability of childcare for families in receipt of social welfare payments or Medical Cards (CCS), taking part in approved education and training programmes (CETS), requiring after-school childcare to support a return to work (ASCC) and taking part in the Community Employment labour market activation programme (CEC).

Affordable Childcare Scheme

A central reform measure currently underway is the development of a single, streamlined *Affordable Childcare Scheme* (ACS), which will replace all the existing targeted childcare schemes (with the exception of *ECCE*), and which will provide financial support for both pre-school and school-age childcare, thereby reducing net childcare costs. In addition to providing a universal childcare subsidy for children under three years old (or before entry into the *ECCE* programme), the ACS will also involve moving to an income basis for determining the level of targeted subsidy available, with the subsidy–rates linked to family income. This change will focus childcare supports on working families with low income levels.

The ACS will provide a new basis for funding childcare with both universal and targeted subsidies being made available for parents of children between six months and 15 years. The scheme will:

- Streamline the existing targeted schemes to make them more accessible for both parents and childcare providers;
- Provide a fair and consistent system of progressive financial support towards the cost of childcare, with a particular focus, at least initially, on low income families but also incorporating universal supports;
- Ensure that access to affordable childcare is not a barrier to labour market participation, including female labour market participation; and
- Provide a robust and flexible platform for future investment in childcare in Ireland.

The ACS will be open to all registered childcare providers, including registered childminders, thus supporting wide access for parents, while ensuring that quality assurance requirements are in place. The introduction of an IT-based approach to applications is expected to improve the accessibility of subsidies. It is envisaged that the scheme will contribute to the objectives of promoting a reduction in child poverty, positive child development outcomes, labour market activation and improved quality.

The ACS will link the number of hours of childcare subsidy each week to participation in work or study. The ACS will balance labour market and child development objectives through providing up to 15 hours of support for all families, while providing up to 40 hours of support for families in which both parents (or one parent in the case of a one-parent family) are engaged in work or study.

In determining the subsidy-rate, the income assessment will allow for deductions of social welfare and related payments that support parents' transition into the labour market or participation in education and training and for additional children in a family below the age of 15.

As part of Budget 2017, €19 million was allocated to the ACS (in addition to the funding already in the base for targeted schemes). The *Childcare Support Bill 2017*, which will provide a legislative basis for the scheme, was published in December 2017. Parliamentary scrutiny of the Bill commenced in January 2018 and will continue over the coming months. Significant progress has been achieved with ACS including tendering for IT development, development of data-sharing arrangements with the Office of the Revenue Commissioners and the Department of Employment Affairs and Social Protection, and the development of a Data Protection Strategy. Preparations will continue during 2018.

The OECD's 2017 report *Faces of Joblessness* estimated that, for a lone parent working full-time at the 25th percentile of the full-time earnings distribution, the ACS will bring net childcare costs down from being the highest among all OECD countries in 2015 to the 11th highest in the OECD – close to the OECD average.

Increases to childcare subsidies

As a result of the extra time required to develop the ACS, the Department of Children and Youth Affairs sought to fast-track the benefits for parents of more affordable and more accessible childcare through existing schemes. Changes introduced in September 2017 included:

- A new, universal (non-means tested) subsidy for all children in registered childcare aged between six months until they are eligible for the *ECCE* (free pre-school) programme, which amounts to up to €1,040 per year for children in full-time childcare.
- Significant increases, of up to 50%, in targeted childcare subsidies provided under existing childcare schemes, specifically the *Community Childcare Subvention* (CCS) and *Training and Employment Childcare (TEC) Schemes*. The increased subsidy significantly reduces the amount of co-payment required of lower income families and as a result improves access for children in these families to quality childcare. The subsidy can amount to as much as €145 per child per week.

The number of children benefiting from the universal and targeted schemes has now exceeded the target at over 70,000.

88% of relevant Early Years services (3,247 services) signed up to provide the new measures. Funding of €3.5 million was announced to support providers who sign up to the schemes in recognition of the administration involved in participating. This payment is in addition to the €14.5 million non-contact payment secured in Budget 2017 for non-contact time during the period September 2016-August 2017. A total of €18 million is available again in 2018 and thereafter to support services with the administrative burden of administering the schemes.

Childcare subsidies – including the ACS – are also part of the Government's pilot Equality Budgeting initiative. As an element of this, gender-equality-related indicators and targets have been set for childcare subsidies in Budget 2018, focusing on the contribution of childcare subsidies to the affordability of full-time childcare.

ECCE programme

Another key measure, announced in autumn 2017, is the further extension of universal free pre-school provision (the *ECCE* programme). The scheme initially (in 2010) provided one year of free pre-school (38 weeks). It was extended in 2016 to an average of 61 weeks and it will be further extended in September 2018. Following the latest extension, all children will be eligible to a full two years' (76 weeks) provision (two 38-week programme years).

The *ECCE* programme provides for 15 hours per week to all children in the relevant pre-school age range. Approximately 90,000 children were approved for the *ECCE* universal free pre-school scheme in September-December 2017. More children joined the *ECCE* scheme in January 2018 and more will join in April 2018 with an estimated peak enrolment in April 2018 of 126,000 children. From September 2018, the three entry points (September, January and April) will cease and all children will be eligible for two full programme-years of free *ECCE* with one entry point in September. Whilst *ECCE* is primarily about early years education, it also assists with the cost of childcare for parents working full or part time. The new two year entitlement from September 2018 is estimated to save parents who avail of the full programme approximately €5,000 per child in childcare costs.

Quality initiatives

A programme of initiatives to increase the quality of early years provision is being undertaken by both the Department of Children and Youth Affairs and the Department of Education and Skills. The quality agenda in Early Years is underpinned by the national quality framework, *Síolta*, and the national curriculum framework, *Aistear*. The following initiatives contribute to quality development in Early Years:

- *Registration and Inspection by Tusla in line with 2016 Early Years Regulations*
  The Child and Family Agency, *Tusla*, has responsibility for promoting the quality, safety and appropriate care of children through inspection and regulation under the *Child Care Act 1991 (Early Years Services) Regulations 2016*. This is the basis for regulating key quality indicators: staff qualifications, child-to-staff ratios, minimum space requirements and facilities for play and rest, alongside minimum standards on child safety, protection, health and welfare.

- *Better Start*
  Better Start is a national initiative established by the Department of Children and Youth Affairs to bring an integrated approach to supporting quality in *ECCE* for children from birth to six years through the provision of a specialist mentoring service. Early Years specialists from *Better Start* work on site with managers and staff to mentor the

development and implementation of quality development goals and actions to support the implementation of *Síolta* and *Aistear*. €3.16 million was allocated to the *Better Start* initiative in 2017.

- *National Síolta Aistear Initiative*
  Additional funding is provided to local agencies to support early years settings to engage with a range of mentoring and quality improvement supports through mentoring. The primary purpose of the initiative is to increase awareness, understanding and implementation of *Síolta* and *Aistear* frameworks and to support quality improvement within early years settings. €500,000 was allocated to this initiative in 2017.

- *Childcare Committees and National Voluntary Childcare Organisations*
  City or County Childcare Committees (CCCs) and Voluntary Childcare Organisations (VCOs) work locally and nationally to assist over 4,400 early education and childcare service providers improve the quality of their services. CCCs and VCOs provide supports and training to services and actively promote the adoption and application of national frameworks that improve the quality of service delivery. Nearly €5.2 million was allocated to CCCs and over €1.8 million to VCOs in 2017.

- *Early Years Education Inspections*
  The Early Years Inspectorate was established in the Department of Education and Skills in 2015, funded by the Department of Children and Youth Affairs, to provide evaluative information, advice and support regarding the quality of education provision in ECCE services. This inspectorate works in close collaboration with *Tusla* and the Department of Children and Youth Affairs.

- *Learner Fund*
  The Department of Children and Youth Affairs introduced the *Learner Fund* in 2014 to support existing childcare staff to meet the minimum qualification requirement of Level 5 on the Irish NFQ (EQF Level 4), which came into effect from January 2017. The *Learner Fund* was later expanded to support existing pre-school leaders to upskill to NFQ Level 6 (EQF Level 5). In 2017, the Department further expanded the *Learner Fund*, making funding available to childcare staff who have undertaken degree-level training at their own expense (i.e in the absence of eligibility for other existing Government supports for undergraduate students). 20% of the Irish Early Years workforce now have degrees. In total, over 5,000 individuals have availed of Learner Fund supports to date, at a cost of €4.2 million. Over the next year, the Department will continue to focus on provision of funding for further and higher education programmes, and introduce new measures to support Continuing Professional Development (CPD) for the Early Years sector.

- *Financial assistance - Higher capitation payments in ECCE*

A financial incentive for higher quality provision is built into the *ECCE*/free pre-school programme, through a higher capitation payment for services with graduate room-leaders (currently €75 per week per child) than for services without graduate room-leaders (currently €64.50 per week per child). Over 50% of *ECCE* rooms now access the higher levels of capitation. To further assist quality, capitation rates in *ECCE* are due to increase by 7% from September 2018.

The Access and Inclusion Model (AIM)

AIM is a model of supports designed to ensure that children with a disability can access the *ECCE* programme. The key objective of *AIM* is to empower pre-school providers to deliver an inclusive pre-school experience, ensuring that children with a disability can fully participate in the *ECCE* programme, thereby reaping the benefits of quality pre-school education.

School Age Childcare

A *School Age Childcare Action Plan* and a *Report of Consultations with Children on After-school Care* were published in March 2017. The action plan sets out a series of activities and initiatives to be undertaken primarily by the Department of Children and Youth Affairs and the Department of Education and Skills to work towards introducing a new system to support and expand the quality of after school care and out of school care (non-term time) for school age children.

Funding is provided for School Age Childcare places through the existing schemes (CCS, TEC etc). Registration of school-age childcare services is expected to commence in 2018, as a first step towards full regulation of the sector. The Department of Children and Youth Affairs is progressing the development of quality standards for school age childcare with a working group of representatives across the sector including providers, parents and children's organisations.

Other actions being progressed to support the development of school age childcare services include:

- A capital scheme in 2017 allocated €4 million in funding to School Age Childcare provision to establish new services, expand existing services or increase quality. 5,000 new School Age Childcare places were created with this funding. Another scheme is being operated in 2018.
- The Department of Education and Skills has recently published *Guidelines on the Use of School Buildings Outside of School Hours* to support schools to make provision for childcare on school premises.

Childminding

In October 2016, the Department of Children and Youth Affairs established a *Working Group on Reforms and Supports for the Childminding Sector* to investigate how a quality assurance system could be created that would address quality whilst also enabling families utilising childminding services to access State subsidised childcare schemes. The group finalised its report in January 2018 and it is currently under consideration by the Department.

Independent Review of the Cost of Quality Childcare

An Independent Review of the Cost of Quality Childcare was commissioned by the Department of Children and Youth Affairs and commenced in October 2017 (for completion by mid-2018). This report will inform policy development, in particular the setting of subsidy-rates for the ACS and the setting of capitation rates for the *ECCE* free pre-school programme. Through informing policy decisions on changes to subsidy and capitation rates, the Independent Review will provide an evidence-base to support further investment in childcare provision.

In addition, the Independent Review specifically includes examination of the additional cost of delivering childcare that is of high quality. The Independent Review will therefore be an important factor in determining future policy consideration of whether and how quality requirements should be built into the development of the ACS. Regardless of the outcome of the Review, childcare services participating in the ACS will be required to be registered with *Tusla*, and to meet all regulatory requirements.

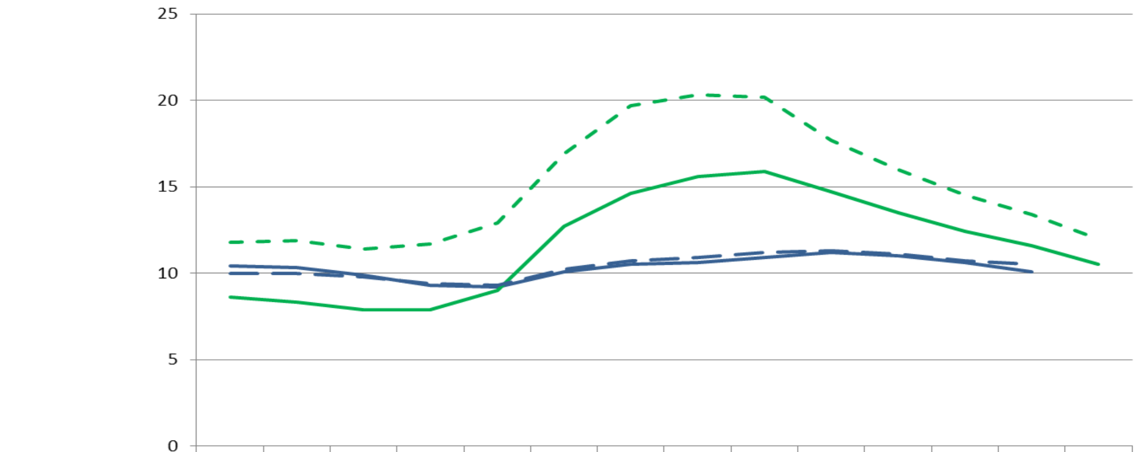
(vii) Deliver an integrated package of activation policies to increase employment prospects of low skilled people and to address low work intensity of households

Measures to tackle household joblessness and incentivise employment

Ireland's twin strategies to stimulate job creation and help people to work – *Action Plan for Jobs* and *Pathways to Work* – are reaping rewards in terms of economic growth and increased employment. Employment, which fell particularly sharply in Ireland post-2008, has been recovering since mid-2012. By the fourth quarter of 2017, employment (seasonally adjusted, 2.225 million) had risen by almost 20% from the mid-2012 trough.

The improvement in the labour market has seen a significant reduction in the scale of household joblessness. Figure 1 shows that the percentage of adults (aged 18-59 years) in jobless households in Ireland doubled from 7.9% in 2007 to 15.9% in 2012, before falling to 10.5% in 2017. The pattern for children in jobless households, though higher, is similar; increasing from 11.7% to 20.3%, with a subsequent decrease to 12.0%. Before the crisis the EU-28 average for adults in household joblessness was higher than in Ireland (9.3% vs. 7.9%), while the child rate was lower (9.4% vs. 11.7%). Since 2012, the gap between the EU and Irish rates has narrowed. The national data suggests the gap to the EU-28 average will close further in 2017. The continuing reduction in the number of jobless households is expected to have an impact in reducing child poverty in 2017 and subsequent years.

Figure 1: Progress on household joblessness, 2007 to 2016



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU-28 Adults	10.4	10.3	9.9	9.3	9.2	10.1	10.5	10.6	10.9	11.2	11.0	10.6	10.1	
IE Adults	8.6	8.3	7.9	7.9	9.0	12.7	14.6	15.6	15.9	14.7	13.5	12.4	11.6	10.5
EU-28 children	10.0	10.0	9.8	9.4	9.3	10.2	10.7	10.9	11.2	11.3	11.1	10.7	10.5	
IE Children	11.8	11.9	11.4	11.7	12.9	16.9	19.7	20.3	20.2	17.7	16.0	14.5	13.4	12.0

Source: EU-LFS, 2007-2016 and QNHS, 2017

Building on and extending the ongoing *Pathways to Work* reforms, the *Action Plan for Jobless Households*, aimed at supporting those in jobless households into employment, was published in September 2017.

Among the main measures set out in the Plan are:

- Introducing a package of reforms to welfare schemes to support working families;
- Reforms to remove disincentives to labour market participation associated with housing supports for welfare recipients;
- Taking steps to support increased labour force participation among recipients of disability payments;
- Extending partial labour market conditionality to the adult dependants of people on job-seekers payments;
- Exploring the possibility of a family-focused approach to employment services for couples with children where neither member of the couple is working; and
- Continued implementation of reforms to lone parents' welfare payments, which introduced (partial) labour-market conditionality for those whose youngest children are aged seven or more.

Progress has been made on implementing the plan in late 2017 and early 2018. In particular, Budget 2018 increased financial supports for working families through increasing income thresholds on the *Working Family Payment* for families with up to three children; and increasing income disregards on *One Parent Family Payment* and the *Jobseekers Transition*

Payment; extending the life of the *Back to Work Family Dividend*, which was due to close to new entrants in March 2018; and increasing the national minimum wage.

A wide-ranging consultation process on proposals for major reform to disability payments has been launched with people with disabilities, parents of children with disabilities, and sectoral representatives.

3.4. Sustainable resolution of non-performing loans (inc. CSR 3)

CSR 3: Encourage a continued and more durable reduction in non-performing loans though resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears.

MIP IDR: Private debt, Financial sector challenges

The Irish banks have made significant progress in reducing non-performing loans (NPLs) since September 2013 when they peaked at c. €57 billion for the three domestic banks. The three banks (*AIB*, *BOI* and *Permanent TSB*) have recently reported their full year 2017 results and, in aggregate, NPLs were €22 billion – a 61% reduction from peak – contributing to an NPL Ratio of 12.1%.

The reduction in NPLs continues at a strong pace, evidenced by the performance in 2017 when NPLs reduced across the three banks by €6 billion – a year-on-year reduction of 22% which followed a reduction of 25% in 2016.

Management of NPLs continues to be a key focus for both the regulatory authorities and the banks themselves and there is no sign of a loss in momentum in the banks achieving further reductions in NPL levels through restructuring efforts and, in certain banks, loan sales.

The Government state funded mortgage arrears resolution service, *Abhaile*, launched in October 2016, gives indebted borrowers access to panels of qualified and regulated financial or legal professionals to give advice and assistance on how to resolve their mortgage arrears on their homes. *Abhaile* has reached its key target group of distressed borrowers in two years' plus mortgage arrears. Take up of the *Abhaile* scheme has been high, especially amongst those in very long term arrears. Key successes include:

- Take-up exceeded expectations. The projected take-up for *Abhaile* (July 2016) was 9,400 households in total over the three years 2017 – 2019;
- As of March 2018, *Abhaile* has provided over 8,300 vouchers for borrowers to obtain financial advice and assistance from personal insolvency practitioners or accountants, while up to mid-February 2018, 4,900 households were also helped directly by dedicated mortgage arrears advisers working with MABS (Money Advice and Budgeting Service);
- As of March 2018, legal aid had been provided in over 600 cases for review by a court where creditors had rejected a borrower's proposal to resolve mortgage arrears on their home. Vouchers had also been issued for over 2,350 borrowers to access legal advice from a solicitor, while duty solicitors provided by the Legal Aid Board attended 835 County Registrar court sittings across Ireland from September 2016 to end March

2018, to help unrepresented borrowers to deal with repossession cases, with multiple borrowers being helped at each sitting;

- A range of solutions and restructures have been concluded, with the vast majority of these keeping borrowers in their homes;
- Further informal solutions and restructures have been put in place on a trial basis, or are being finalised, that are keeping people in their homes; and
- A proportion of borrowers do not yet have a solution in place, but are currently 'in a protected process' (i.e. they are being advised and accompanied by an *Abhaile* financial adviser who is seeking to get a solution in place for them).

Policy actions, together with the focus of both bank management and the regulatory authorities, continue to have impact positively in addressing mortgage arrears. The latest Central Bank Residential Mortgage Arrears and Repossessions Statistics for Q4 2017 (which includes banks and non-bank owners) show that the number of accounts for Principal Dwelling Houses (PDH) in arrears fell further in the fourth quarter of 2017, thus marking the eighteenth consecutive quarter of decline. The number of PDH in arrears is now nearly half the levels which prevailed at the height of the mortgage crisis. The cohort of accounts in arrears for more than 720 days continues to decline with case numbers falling by 13% in 2017.

Significant progress also continues to be made by the relevant institutions in resolving SME NPLs in recent years and NPL trends continue to move in a positive trajectory. The Central Bank publication *SME Market Report 2017 H2* shows that SME default rates are declining, with loan-level data for June 2017 showing that 19% of SME loans (weighted by outstanding balance) are in default.

3.5. Housing and Spatial Planning (incl. MIP IDR Property Market)

The Government, through *Rebuilding Ireland – Action Plan for Housing and Homelessness* and arising from the focused *Rebuilding Ireland* review in recent months, has prioritised measures to stimulate housing supply at more affordable prices and rents.

Social Housing

The Government's initial primary focus has been on delivering homes for households in the lowest income brackets, through the commitment of over €6 billion to deliver 50,000 new social housing homes by 2021, with qualifying households also able to avail of the *Housing Assistance Payment* (HAP), the *Rental Accommodation Scheme* (RAS) and other targeted programmes. Over the period of the Plan, it commits to meeting the housing needs of over 137,000 households.

A change in policy direction, increasing local authority building activity overall and moving away from acquisitions from the market, thereby reducing the risk of removing opportunities for first time buyers and other purchasers in that market, has resulted in an increase of the original ambition in *Rebuilding Ireland* for the number of directly built new social homes.

The *Social Housing Output* indicative figures published in January 2018, showed nearly 26,000 households had their social housing need met in 2017. *Rebuilding Ireland* is delivering on its targets against both the 50,000 target for new builds, acquisitions and leases and the 87,000 target for RAS and HAP. Of the combined target of 50,000 and 87,000 (137,000) – just under 45,000 households have had their housing need met by the end of year two of the *Rebuilding Ireland Plan* – that is 33% of those targeted under the Plan.

The Government is very focused on accelerating build activity and a strong delivery pipeline for Local Authorities and Approved Housing Bodies is in place. The Department of Housing, Planning and Local Government is working with Local Authorities and Approved Housing Bodies on issues such as land, resources, planning and design to support accelerated delivery. In addition Acquisition and Leasing streams are contributing to delivery for households on waiting lists.

One of the key commitments in *Rebuilding Ireland* is to support homeless families and children exit homelessness into independent tenancies. The HAP forms a key element of the Government's response to achieving this.

HAP is a flexible and immediate form of social housing support, enabling households to have a greater choice in where they wish to live. The national roll out of the HAP scheme was completed in 2017, and HAP is now available in all 31 local authorities. There were over 31,200 households supported by the scheme by the end of 2017, with a target of an additional 17,000 households during 2018. In areas of high rents with gaps between HAP limits and rent asking prices, local authorities can apply discretion of up to an additional 20% above the limit to meet costs as required.

Additional support is provided via the Homeless HAP Place Finder Service operating in the Dublin local authorities since 2015, and in Cork City Council since 2017. This is a targeted support for homeless households who are finding it difficult to secure HAP tenancies. Since January 2018, the Homeless HAP Place Finder Service has been made available to each of the 31 local authority areas.

In relation to Travellers' accommodation, an independent review of the funding and delivery of Traveller accommodation has been completed and an Expert Group is being set up to examine and make recommendations on issues regarding Traveller accommodation policy, strategy and implementation. The composition, terms of reference and methodology of this Expert Group are currently being formulated with a view to it being in place as soon as possible.

Increasing Housing Supply

The Government has implemented a suite of measures to facilitate increased residential construction activity and ensure the sector's capacity to produce more affordable homes, through, *inter alia*:

- Fast-track planning reforms and more flexible planning guidelines;
- €266 million investment in enabling infrastructure to service/open up housing lands with proportionate affordability dividends for house purchasers;
- The development of large-scale mixed-tenure housing projects, with social, affordable and private housing, on publicly-owned lands;
- New apartment guidelines that will allow more homes to be built on a site, while also removing unnecessary costs such as expensive-to-provide car parking spaces where they are not needed; and
- The introduction of regulations so that developments consisting of the change of use, and related works, of vacant commercial premises to residential use are exempt from requirement to obtain planning permission (subject to certain limitations).

In Budget 2018, the Government removed significant obstacles to building more homes more quickly by:

- Investing more in direct house-building by the State;
- Removing the Capital Gains Tax incentive to hold on to residential land;
- Escalating penalties for land hoarding (owners of vacant site on the register who do not develop their land in 2018 will pay the 3% levy in 2019, and become liable to an increased rate of 7% from 1 January 2019); and

- Providing a new finance vehicle for builders through *House Building Finance Ireland* (HBFI).

These innovations should facilitate the construction of thousands of new homes across the country at more affordable prices. These measures are having a positive impact with relevant indicators showing that the supply-based measures under *Rebuilding Ireland* are working, e.g. over 17,500 new homes commenced construction during 2017, three times as many as in 2016.

A Vacant Homes Unit has been established to drive action at central and local government levels to bring recoverable vacant housing units back into liveable use. The majority of local authorities have now produced a *Vacant Homes Action Plan* setting out, inter-alia, actions to address vacant private housing. Similarly, Vacant Homes Officers have been appointed in most local authorities to support the implementation of the Action Plans.

Preparatory work on a national *Vacant Homes Strategy* has been undertaken by a working group. The Department of Housing, Planning and Local Government received its output in June 2017 and is further developing the strategy, including by liaising with relevant stakeholders to agree a robust methodology to assess vacancy for inclusion in the Strategy, with a view to publishing it in the near future. Local authority *Vacant Homes Action Plans* are also informing the finalisation of the Strategy.

The Minister for Finance has committed to preparing a report in 2018 exploring a tax on vacant residential property.

Affordability

The Government recognises that as tens of thousands of new homes are built across the country over the coming years, there is a need to ensure that they are affordable.

A package of affordability measures was announced in January 2018, with the potential to deliver more than 3,000 new homes initially and a target for at least 10,000 new affordable homes to buy and rent. The new measures are targeted at low-to-moderate income households, with annual gross income of up to €75,000 for dual income and €50,000 for single income households:

- A new *Rebuilding Ireland Home Loan* was made available from 1 February 2018, providing long-term, fixed-rate mortgages for first-time buyers;
- A new *Affordable Purchase Scheme* will see affordable homes built initially on State land, in co-operation with local authorities, such as at the centrally located Infirmary Road project in Dublin City Centre;
- The new €25 million Serviced Sites Fund will provide funding for local authorities to offer low-cost serviced sites to Approved Housing Bodies or housing co-operatives for the delivery of affordable homes to buy or rent; and

- A second *Local Infrastructure Housing Activation Fund (LIHAF)* infrastructural investment fund will be launched in the first half of 2018 to facilitate the early development of housing lands and delivery of more affordable new homes.

Following a Housing Summit with the Minister for Housing and the Chief Executives of each of the 31 local authorities in January 2018, local authorities are now finalising an outline of their respective affordable housing programmes, from the State residential land bank of around 2,000 hectares.

New apartment planning guidelines were published in March 2018 to encourage more development and investment in rental accommodation at more affordable rents. The guidelines were finalised following a comprehensive consultation period and will enable the delivery of a broader mix of apartment types, more closely reflecting contemporary household formation and housing demand patterns and trends, particularly in urban areas, giving greater policy clarity in relation to the emerging 'Build-to-Rent' and 'Shared Accommodation' sectors.

As part of its *Rental Strategy*, the Government introduced Rent Predictability Measures in December 2016 to moderate the rise in rents in the parts of the country where rents are highest and rising, and where households have greatest difficulties in finding accommodation they can afford. In these areas, called Rent Pressure Zones (RPZ's), rents can only increase by a maximum of 4% annually for three years. Currently, the measure covers almost 57% of rental properties across the country, including 100% of rental properties in the two largest cities, Dublin and Cork.

Furthermore, the Government's ambition is to make cost rental a major part of the Irish housing system, with rents set at levels to cover construction costs and the management and administration of developments, but with only a minimal retained profit margin. This will be informed by pilot projects being progressed in Dublin. Detailed discussions are continuing with the European Investment Bank regarding the application of its international experiences in developing and supporting affordable housing to large-scale cost rental projects in Ireland. Local Authority affordable housing programmes, particularly for Dublin, Galway and Cork, will include cost rental proposals.

Additionally, the Help-to-Buy scheme assists first-time buyers of newly built homes to assemble the required deposit. It also applies to once-off self-build homes.

Infrastructure

The Government recognises the need to address emerging infrastructure bottlenecks in order to ensure that development can occur and to ensure sustainable and balanced growth into the future.

One of the solutions is to target infrastructure spending at areas with urgent infrastructure requirements. The Government has established a LIHAF in order to provide targeted up-front enabling infrastructure which opens up strategic residential lands for early development, ensuring that housing supply will be accelerated as a result of the provision of this infrastructure.

To date almost €200 million has been approved for 30 public infrastructure projects that will in turn facilitate the construction of some 20,000 new homes by 2021. An additional allocation was made in Budget 2018 which will bring the overall fund to €266 million and further projects will be selected in 2018.

These projects will allow for the delivery of key transport, water and community infrastructure necessary for significant housing development sites in areas where there is a high demand for housing and in line with spatial planning priorities

As part of *Project Ireland 2040*, the Government has committed to establishing a new *National Regeneration and Development Agency*, including consideration of how best to make State lands available, including suitable lands in the control and ownership of Government Departments and State Agencies, to the new body for, *inter alia*, affordable residential development.

The *Action Plan for Rural Development* was launched by Government in January 2017. It acts as an overarching structure for the co-ordination and implementation of initiatives right across Government which will benefit rural Ireland. The Plan contains over 270 actions across five key pillars, all of which aim to improve both the economic and social fabric of rural Ireland through supporting sustainable communities, supporting enterprise and employment, maximising rural tourism and recreation potential, fostering culture, and improving infrastructure and connectivity. In addition, as part of *Project Ireland 2040*, a new *Rural Regeneration and Development Fund* will be established, which will provide an additional €1 billion in capital investment over the next 10 years to support rural renewal.

3.6. Labour market and skills challenges

The Country Report for Ireland suggests that skills shortages are becoming increasingly apparent most notably in ICT, financial services and engineering with a low level of the population with basic digital skills. Significant reforms have been introduced to identify and address skills requirements in various sectors and to work towards providing a response to existing and future skills needs. Substantial additional provision and reform have been introduced in these and other sectors to identify and address skills requirements and to work towards enhancing our existing mechanisms for responding to current and future skills needs of what is a rapidly evolving economy and society.

Forecasting the Future Demand for High Level ICT Skills in Ireland, 2017-2022

The *Expert Group on Future Skills Needs* (EGFSN), an independent statutory body that advises the Government on current and future skills needs of the economy and on labour market issues that impact on Ireland's enterprise and employment growth, recently completed a skills demand forecast for *High Level ICT Skills in Ireland, 2017-2022*.

The strong European competition for skills, especially in a region where there is free movement of labour, makes it important for Ireland to develop, attract and retain the right high level ICT skills to satisfy the demand across the Irish economy. It is likewise imperative for Ireland to be able to continue to attract and serve the R&D activities, high tech manufacturing and global services companies that are important for Ireland's economic growth.

As part of the process of developing a new *ICT Skills Action Plan*, which is to cover the period 2018-2026, the *EGFSN* therefore undertook a comprehensive survey of High level ICT skills stakeholders in Ireland, and enterprises deploying such high-level skills, to assess their demand over the next five years.

The *EGFSN* has built up a picture of the High Level ICT Skills landscape at present and over the coming years - including the challenges in acquiring skills, the barrier to and drivers of demand, the main sources of hiring new skills, any measures and actions to improve skills availability that could be considered, and likely industry and technological trends (e.g. digitalisation, Artificial Intelligence, Machine Learning, Cybersecurity, Blockchain) over the next five years.

The *EGFSN* is also undertaking a study on *Skills for the Digital Economy* as part of its 2018 work programme.

The aim of the study is to assess the impact of digitalisation on job roles and sectors across the economy in Ireland and to identify potential enterprise and skills policy actions that could address the effects on the workforce. The study will take a medium view of five years.

A key feature of the *EGFSN* report will be the identification of both the job roles and sectors that are most susceptible to positive or negative change as a result of digitalisation. A further objective of the report will be to develop a short synopsis of approaches to upskilling the workforce in digital skills, including employer-led initiatives. The synopsis will include evidence of effectiveness of these approaches, if found in other studies. The focus will be primarily on those in work but it may also encompass those who have recently exited employment. This objective will be completed based on a high level international policy review and interviews with key stakeholders. Furthermore, the study will also identify if there are any other potential enterprise policy actions that could address the effects of digitalisation on the labour force.

The *Skills for the Digital Economy* study will be commencing in early April and is expected to be completed by the end of June.

National Skills Strategy 2025

The *National Skills Strategy 2025* was published in January 2016 and provides a framework for skills development that will help drive Ireland's growth both economically and societally over the next decade. Through the vision, objectives, actions and indicators outlined, the Strategy will support the development of a well-educated, well-skilled and adaptable labour force, creating and sustaining a strong pool of talented people of all ages throughout Ireland. The Strategy contains over 120 key actions covering six strategic objectives. The actions will be underpinned by national and international research, evaluation and benchmarking, and will be supported by an enhanced national and regional skills architecture.

One of the key elements of the Strategy was the establishment of a new skills architecture, including a National Skills Council and Regional Skills Fora. This architecture is fostering closer collaboration between relevant Government Departments and agencies and developing structures to strengthen engagement between the education and training system and enterprise.

National Skills Council

The *National Skills Council* was launched in 2017. The role of the Council is to oversee research, advise on prioritisation of identified skills needs and on how to secure delivery of identified needs. It has a key role in promoting and reporting on the delivery of responses by education and training providers to those priorities. Past and planned strategic discussion items include *Lifelong Learning*, *The Future of Work* and *Career Progression and Information*.

Regional Skills Fora

To help foster stronger links between employers and the education and training sector, the Department of Education and Skills has established a network of nine *Regional Skills Fora* and appointed nine Regional Skills Fora Managers. Each forum provides robust labour market information to inform programme development while encouraging greater collaboration between Education and Training Boards, Institutes of Technology, Universities and Industry. A key emerging strategy for industry both nationally and in the regions is the upskilling of the existing workforce at all levels.

Strategy Statement – Action Plan for Education 2016-2019

The *Action Plan for Education* contains a range of measures to be implemented with particular focus on disadvantage, skills, and continuous improvement within the education service. The central vision contained in the *Action Plan for Education* is to make the Irish education and training system the best in Europe by 2026. The Plan is summarised in five high level goals:

- Improve the learning experience and the success of learners;
- Improve the progress of learners at risk of educational disadvantage or learners with special educational needs;
- Help those delivering education services to continuously improve;
- Build stronger bridges between education and wider community; and
- Improve national planning and support services.

Implementation and monitoring arrangements have been put in place within the Department of Education and Skills. Actions are monitored against published timelines. Each year a new Action Plan is developed in consultation with stakeholders.

The *End of Year Review 2017* is the first full-year review published under the *Action Plan for Education 2016-2019*; 86% of the actions identified for 2017 have been achieved or substantially achieved.

There has also been substantial progress in outcomes such as:

- Irish 10 year olds achieving top position in Europe in reading;
- Substantial improvement in school completion in disadvantaged schools;
- Attainment of at least upper secondary level of 20-24 year olds second highest in EU28;
- Substantial new opportunities in apprenticeship and traineeship;
- A better way of meeting learning needs of children with Special Education Needs;
- Substantial improvement in disadvantaged groups entering third level; and
- Increased number of people availing of opportunities in FET.

The Action Plan for Education 2018, which was published on 7 February 2018, reiterates the Department's five key goals and details over 370 actions and sub-actions to be achieved before the end of 2018. The key focus for 2018 includes: promoting and encouraging quality, excellence and innovation, meeting critical skills gaps, leading in key enabling technologies, championing inclusion and increasing participation in lifelong learning.

Skills for Growth Audit Tool

Launched in 2017, the purpose of the *Skills for Growth Initiative* is to increase the quality and quantity of data available on skills needs in individual enterprises, to allow for enhanced engagement between enterprise, education and training providers and other relevant members of *Regional Skills Fora*. Data will be collected at individual company level by the *Regional Skills Fora* managers using a tool created by the Department of Education and Skills in conjunction with the Skills and Labour Market Research Unit in *Solas* and *Regional Skills Fora* managers. This tool will enable granular data on skills needs to be collected and processed. As part of the *Skills for Growth* project, *Enterprise Ireland* is providing tailored workshops entitled *Spotlight on Skills* to client companies. Four workshops have taken place with 40 companies attending, representing employment of over 4,000 people. Once skill needs have been identified, *Regional Skills Fora* will link companies with the education and training providers best suited to responding to their skills needs.

National Training Fund (NTF)

A comprehensive review of the NTF is currently underway and due for completion in May 2018. Key objectives of the review are to ensure that employers have a central role in determining priorities for 2018 and beyond, and to make recommendations on how to improve the efficiency, effectiveness, relevance and impact of expenditure from the NTF fund and responsiveness of the Fund to the needs of the economy.

The rate of the NTF levy increased by 0.1% in 2018 to 0.8% and will provide €47.5 million of additional investment in the Higher Education and Further Education sectors in 2018. The rate will increase to 0.9% in 2019 and to 1% in 2020 subject to implementation of necessary reforms to ensure that employers have a greater role in determining the priorities and the strategic direction of the fund. In 2018, the National Training Fund will:

- Include for the first time higher education provision more closely aligned with the needs of the economy;
- Support the expansion of apprenticeships by over 6,000 new registrations and 10 new apprenticeship schemes in key economic areas including indigenous sectors such as retail and hospitality;
- Support 3,900 traineeship places;

- Introduce new pilot programmes aimed at those already in employment for upskilling and reskilling;
- Support over 1,000 additional places on *Springboard* courses; and
- Provide an additional €3.5 million for *Skillnets* allowing people in work to upskill.

Review of Career Guidance

As part of *Action Plan for Education 2018*, by the end of Q2 2018, it is planned to have completed a review of existing career guidance tools and career information for post-primary/further education/higher education students and adults, currently in place across the education and training system in Ireland. The purpose of the review is to ensure that we are providing a high quality, relevant career guidance support service to all students from post –primary level up to further and higher education.

Lifelong Learning

There is an increased focus on lifelong learning and a target to increase participation in lifelong learning to 10% by 2020 and by 15% by 2025 has been set in Ireland's *Action Plan for Education 2016-2019* and the *National Skills Strategy 2025*. The improved labour market situation in Ireland is leading to a renewed focus on supporting skills development for lifelong learning and people in employment.

Springboard+

The *Action Plan for Education* contains an objective to create a greater diversity of learning opportunities beyond school through, inter alia, overseeing development and annual calls for *Springboard+*.

Springboard began in 2011 as part of the Government's Jobs Initiative and has to date provided 47,000 free higher education places, primarily to jobseekers in need of upskilling or reskilling to allow them to re-enter the labour market. 80% of *Springboard+* participants (2011 – 2016) are no longer on the Live Register.

Under *Springboard+ 2017*, the eligibility criteria was expanded to include homemakers and those in employment or self-employment who wish to upskill, reskill or cross skill in the Biopharma/Med Tech sector and those in employment, or self-employment in the ICT sector who wish to upskill from a level 7 to a level 8 qualification. *Springboard+* 2017 is providing 6,471 places on 208 courses over the academic year 2017/18. Over 300 homemakers have enrolled in *Springboard+ 2017* courses, including in Advanced Manufacturing, Business and Entrepreneurship.

In Budget 2018 additional funding was provided to *Springboard+* which is projected to support over 1,000 additional places. Under *Springboard+ 2018* the eligibility criteria are further expanded. Courses will remain free for those in receipt of an eligible payment from the Department of Employment Affairs and Social Protection, the previously self-employed and returners. Courses will also be free for those in employment participating in a Level 6 course. Employed participants in courses at levels 7-10 will be asked to contribute 10% of the cost of the course. This change reflects the Government's emphasis on the importance of lifelong learning and upskilling/reskilling throughout one's career.

Skills for Work

Skills for Work is a national programme which aims to provide employees with skills training that meets the basic demands of the workplace. A *Skills for Work* programme is designed and delivered in a flexible and adaptable way to meet the needs of the employer and employee. One of the aims of the programme is to develop initiatives to enhance employees' communication and basic IT skills.

Low Skilled Groups

Arising from the EU Council's decision to adopt the *Upskilling Pathways: New Opportunities for Adults Recommendation*, the *2018 Action Plan for Education* includes the commitment to develop an implementation plan on *Upskilling Pathways*. An inter-agency steering group will collaborate on the development of an implementation plan for the *Upskilling Pathways* Recommendation. These implementation arrangements will be drawn up by Summer 2018.

Policy Framework for the FET sector for Employee Development

The *2018 Action Plan for Education* includes a commitment to publish a policy framework for the Further Education and Training (FET) sector on Employee Development to support the skills need of those in employment. The framework will be published in Q3 2018 and implementation will commence in Q4 2018.

Digital Skills

Ireland is currently developing an *ICT Action Plan 2018-2026* to address skills shortages in the ICT Sector.

In 2017 Ireland launched *STEM Education Policy Statement 2017-2026* and *Implementation Plan 2017-2019*. The areas of policy development and action span 26 high-level actions across four pillars as follows:

- Pillar 1 - Nurture learner engagement and participation;
- Pillar 2 - Enhance early years practitioner and teacher capacity;
- Pillar 3 - Support STEM education practice; and
- Pillar 4 - Use evidence to support STEM education.

This Policy Statement will be implemented in three phases between 2017 and 2026.

Within the Further Education Sector (FET) a number of actions have been taken to improve the existing capacity in the area of digital inclusion and the provision of digital skills in FET.

SOLAS, the further education and training authority, is working closely with the FET sector on the implementation of the *Technology Enhanced Learning Strategy in Further Education and Training*, the first strategy for Technology Enhanced Learning (TEL) in Further Education and Training. It sets out 18 practical actions, associated timelines and performance indicators to build on existing capacity and good practice in technology-enhanced learning, and expand access to and continuously improve and innovate FET provision. It aims to establish TEL as an intrinsic element of FET and has been developed through a consultative process with learners, Education and Training Boards and the enterprise community and supports and complements a number of digital strategies including the *ICT Strategy 2016*, the *2013 National Digital Strategy for Ireland*, the *Digital Roadmap for Higher Education*, the *2015 Public Service ICT Strategy* as well as the *National Skills Strategy 2025* and *FET Strategy*.

SOLAS is represented on the steering committee of the *National Digital Skills and Jobs Coalition* delivering on the *Digital Skills Agenda for Europe* through which *SOLAS* pledges to:

- Increase the range of digital skills development courses by eCollege, the national online learning service, providing online training for Irish citizens seeking flexible opportunities to develop their digital skills; and
- Implement the *Technology Enhanced Learning Strategy* to develop digital skills of staff and learners and to increase the use of technology in the provision of courses within the FET sector here.

National Digital Strategy - Basic Digital Skills for Citizens

The Government's *Getting Citizens Online Programme* is part of the *National Digital Skills Strategy* focused on supporting and empowering citizens to participate fully in Ireland's digital economy and society. The Programme includes the *Digital Skills for Citizens* scheme which provides digital skills training for citizens who have never used the internet with a view to removing a key barrier to digital adoption.

Under the *Digital Skills for Citizens Grant Scheme* over €2 million was awarded in 2017 to community voluntary and not-for-profit organisation to provide basic digital skills training to people nationwide. Over 22,000 citizens received training during 2017. Training classes are available to all citizens who have not previously engaged with the internet. Training is targeted at people over 45, farming communities, small business owners, the unemployed, persons with disabilities and disadvantaged groups.

Trading Online Voucher Scheme

Designed to assist small traditional businesses getting on-line, the *Trading Online Voucher Scheme* offers training and advice, along with financial assistance of up to €2,500 (matched funding) to develop ecommerce capability. To date, the scheme, delivered by the nationwide network of *Local Enterprise Offices*, has provided financial support to almost 4,120[2] small businesses (businesses comprising 10 or less employees) across Ireland to help them trade online. Over 9,000[3] businesses have participated in information sessions designed to provide advice and peer-to-peer support on developing their ecommerce capability.

[2] based on preliminary figures at end of the year 2017

[3] based on preliminary figures at end of the year 2017

3.7. Reform of the Health System

Health System Reform

In 2016, political consensus emerged to develop a long-term policy direction for Ireland's healthcare system and, in line with a commitment in the *Programme for Government*, a cross-party Parliamentary Committee on the Future of Healthcare was established. The Committee's mandate was to develop a coherent, long-term health strategy that would continue to be implemented over a 10-year period irrespective of the composition of the Government. The current Government is committed to the implementation of a programme of reform arising from the Committee's report – the *Sláintecare Report*.

An Implementation Office is being established in the Department of Health to drive the reform agenda and a recruitment process for an Executive Director for the Office is well advanced. Several early stage actions have already been taken based on the key recommendations in the *Sláintecare* report. An independent group has been established to examine the impact of removing private practice from public hospitals. This group has commenced work and is expected to report later this year. The Minister for Health has undertaken to engage with General Practitioners (GP) representatives on a package of measures and reforms, which if agreed, will result in meaningful improvements in the services provided by GPs to holders of medical and GP visit cards in line with the Government's health reform agenda.

Project Ireland 2040: Health Services

The capital funding for Health in the ten years of the *National Development Plan 2018 - 2027* is €10.9 billion. In the last 10 years €4.115 billion was invested. This is an increase of 165% in capital funding. Progressing the move to an integrated model of healthcare in line with health strategy, and addressing capacity constraints will be critical in meeting the healthcare needs of the population. The ten year Health National Development Plan includes a wide range of projects and programmes to develop services and address capacity issues through the implementation of health strategies and policies in areas including primary care, eHealth, paediatric, maternity, mental health, radiation oncology, community nursing units, neuro-rehabilitation and independent living for people with a disability.

This funding provides the capital investment for a solid, ambitious long-term plan that will improve Ireland's health services, drive down waiting lists, increase bed capacity and crucially reform pathways of care and modernise how services are delivered through eHealth. Health capital investments in *Project Ireland 2040* will support Government priority projects and commitments and will enable the rollout of new additional health capacity in the community and acute hospitals. The provision of this investment will allow the health services to provide the necessary infrastructure and equipment to support the Government's vision for a high quality, safe, accessible and sustainable healthcare system.

A number of major investment projects and programmes along with reform initiatives are planned for the health sector including:

- New Children's Hospital at St James' campus, Dublin and two satellite centres at Connolly Hospital, Blanchardstown and at Tallaght Hospital, Dublin;
- National Maternity Hospital relocation from Holles Street to St Vincent's campus, Dublin;
- National Programme for Radiation Oncology at Cork, Galway and Dublin;
- National Forensic Mental Health Service Hospital at Portrane, Dublin;
- National Rehabilitation Hospital redevelopment, Dún Laoghaire, Dublin;
- Primary Care Centre construction programme;
- Replacement and refurbishment of long-term residential care units and housing in the community for people with disabilities;
- Replacement and refurbishment of Community Nursing Units across the country; and
- Additional capacity - in response to demographic changes and future demands.

The main outcome of delivery of these projects and programmes will be healthcare facilities that allow for implementation of new models of care and for delivery of services in high quality modern facilities. This will facilitate the transition of patients to the most appropriate care settings ranging from complex acute care to primary and community services.

eHealth

Further progress continues to be made on *eHealth*. *eHealth* is a central pillar in the planned response to the *Sláintecare* report. The ICT capital provision has been increased, with continued progressive financial support planned for the next three years. The technology project of the Finance Reform Programme, the Integrated Financial Management System is proceeding and the development of the ICT platform is progressing. The *Individual Health Identifier* programme was initiated across a number of selected services and users in May/June 2017 including into *eReferrals* and it is being gradually introduced into systems nationally. The *Maternity and Newborn Clinical Management System* project is the design and implementation of an electronic health record for all women and babies in maternity services in Ireland. The first site went live in December 2016 and currently three further sites have gone live including Ireland's National Maternity Hospital. The implementation project will continue throughout 2018. *eReferrals* have been implemented into all hospital groups and other new national systems are being progressed including a Medical Oncology Clinical Information System (MOCIS), the National Medical Laboratory Information System (MedLIS) and the National Integrated Medical Imaging System (NIMIS). *Project Ireland 2040* also incorporates the investment necessary to support the continued implementation of Ireland's *eHealth* strategy. A detailed business case for the implementation of an acute Electronic Health Record, a critical element of the national eHealth strategy, will be submitted for approval shortly.

Cost effectiveness measures on pharmaceuticals

The Government continues to address the issue of securing more affordable and sustainable access to medicines. The formal agreement with industry continues to deliver significant savings on the annual cost of existing medicines.

In terms of new innovative medicines, a number of avenues are being pursued to drive down costs. The Department of Health has agreed to join international collaborations with two separate groupings of European countries, who are confronting similar challenges in this area. In other developments, the Minister for Health has invited industry to an open and transparent dialogue on the issue of pricing and at operational level, the *Health Service Executive* is implementing a number of medicine management initiatives which are having a positive impact on the overall medicines budget.

3.8. Productivity Gap and Spillover Challenge

The Department of Finance has recently published the findings of productivity research[4] conducted jointly with the *OECD* in tandem with the *OECD Economic Survey of Ireland 2018*. In keeping with the *OECD*'s global findings, this research shows a widening in the productivity gap between high and low productivity firms, driven by a decline in productivity by many Irish firms over the last decade. The *OECD's 2018 Review of the Economy* includes several specific recommendations on measures that could bring improvements in Irish competitiveness and productivity performance. As set out in the *Action Plan for Jobs 2018*, the Departments of Business, Enterprise and Innovation and Finance will explore approaches and work with other Government Departments to progress agreed policy recommendations arising from the *OECD* Review.

In March 2018, the *OECD* commenced a review of SME and entrepreneurship performance, potential and policies in Ireland. Commissioned by the Department of Business, Enterprise and Innovation, productivity challenges will be the subject of in-depth comparative analysis as part of the study and a special thematic chapter on SME productivity will be included. The *OECD* review will be of particular benefit for future policy and strategy roadmaps including mechanisms and measures to increase SME productivity levels – including broadening and deepening the levels of innovation in SMEs, digitalisation and human capital development and labour retention. The Review and the strategy roadmap will be completed by the OECD within 18 months of commencement.

The recently launched *Enterprise 2025 Renewed* recognises the importance of capturing the potential synergies of our Irish and foreign owned enterprises.

The *Global Sourcing Initiative* is a joint *IDA/Enterprise Ireland* strategic approach to drive deeper engagement between the multinational base in Ireland and *Enterprise Ireland* supported indigenous companies. Through the *Global Sourcing initiative*, the enterprise agencies provide opportunities for Irish-owned firms to connect into global supply networks by winning contracts with foreign-owned firms in Ireland. Once companies secure a reference site with a locally based multinational it is often easier to expand internationally either with the same multinational or with others that have the same needs to be addressed. The key objective is to work towards an integrated cohesive eco-system where foreign-owned and Irish-owned companies are sharing, collaborating, doing business together and transferring technology.

One of the approaches *Global Sourcing* takes is running an annual Trade Mission to Ireland. The key objective is to facilitate introductions between both the *IDA* and *Enterprise Ireland*

[4] http://www.finance.gov.ie/updates/patterns-of-firm-level-productivity-in-ireland/

clients. Ultimately the aim is to drive business connectivity and contracts for the further benefit of Irish based enterprise. The 2017 Trade Mission to Ireland was held in Dublin, Cork and Galway. Over 800 meetings between innovative Irish exporters and leading multinationals were held over one and a half days. In 2018 it is planned to again run a Ministerial led Trade Mission in Ireland, to visit Dublin, Limerick and Sligo over one and a half days.

Under Enterprise 2025 Renewed the implementation of the *Global Sourcing Initiative* will be intensified to increase linkages between Irish and foreign owned enterprises in the context of Brexit, disruptions to existing supply chains and potential for import substitution.

Enterprise Ireland provides supports for companies to enhance productivity, improve competitiveness and realise transformational change based primarily on *LEAN* principles. To ensure Irish-owned companies can fully exploit procurement opportunities from multi-nationals, *Enterprise Ireland* is currently examining its *LEAN* supports to see how *LEAN* projects might counteract some of the competitiveness issues faced by client companies. In this context, *Enterprise Ireland* will also seek to drive Supply Chain capability improvements through its *LEAN* supports amongst clients based on the identified requirements of multi-nationals surveyed by *Enterprise Ireland* in 2017.

It is accepted that increased SME expenditure on RD&I would enable companies both to engage in higher value collaborative activities with multi-nationals and to have a greater absorptive capacity with which they could more effectively assimilate the multi-national spill-overs.

Enterprise Ireland drives SME R&D capability through a range of instruments supporting both in-company R&D and collaboration with higher education institutions. The agency also directly supports SME-MNC collaboration and mutually beneficial R&D through the *Technology Centres* programme including the *Irish Manufacturing Research (IMR) Technology Centre*.

Like most international manufacturing sectors, the Irish sector is composed mostly of SMEs that employ 54.4% of the manufacturing workforce. However, the larger share of manufacturing value added (88.5%) is generated by companies with more than 250 employees.

The *IMR* approach integrates multi-national and SME companies into a mutually beneficial consortium that provides an ‘end to end’ representation of manufacturing in Ireland. By achieving effective integration and deployment of new R&D solutions and newly developed technologies throughout the supply chain, all manufacturing companies in the chain receive additional benefits.

4. Progress towards national Europe 2020 targets

This section reports on the Europe 2020 Strategy targets for Ireland. The targets give an overall view of where the EU should be on key parameters by 2020. They are translated into national targets so that each EU country can monitor its own progress towards each goal.

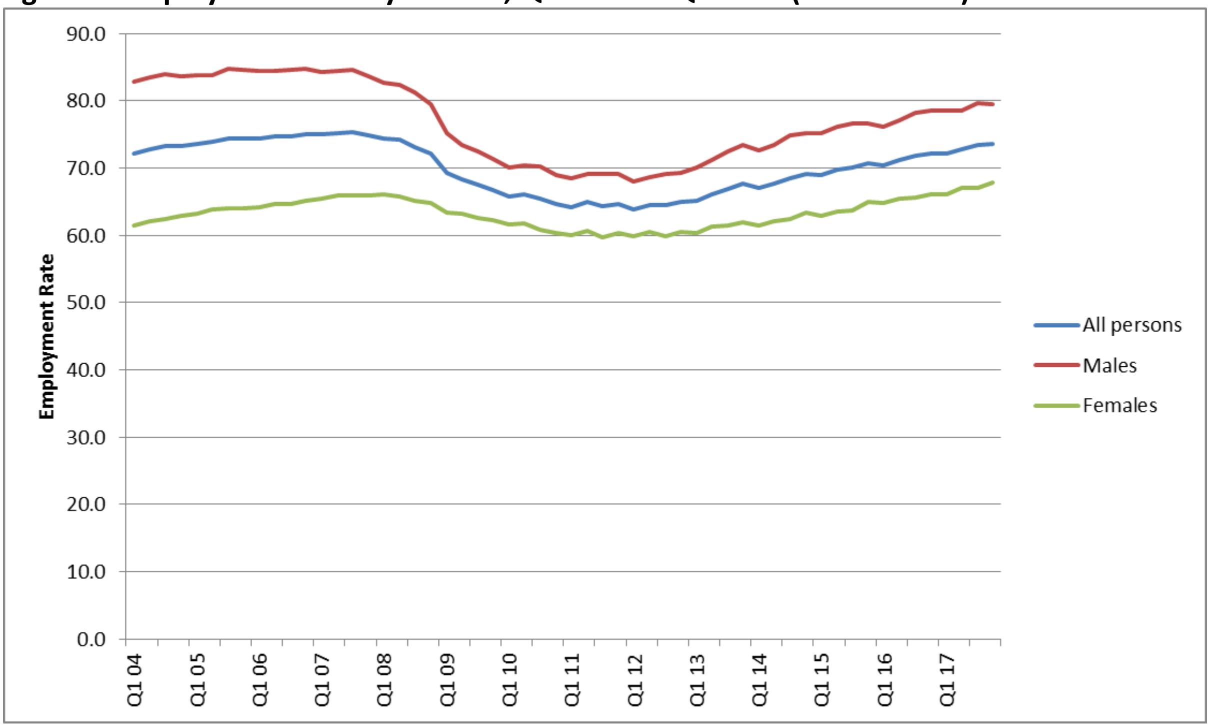
4.1. Target 1- Employment

To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.

Current Situation

Employment

Figure 2: Employment Rate by Gender, Q1 2004 to Q4 2017 (Source: CSO)



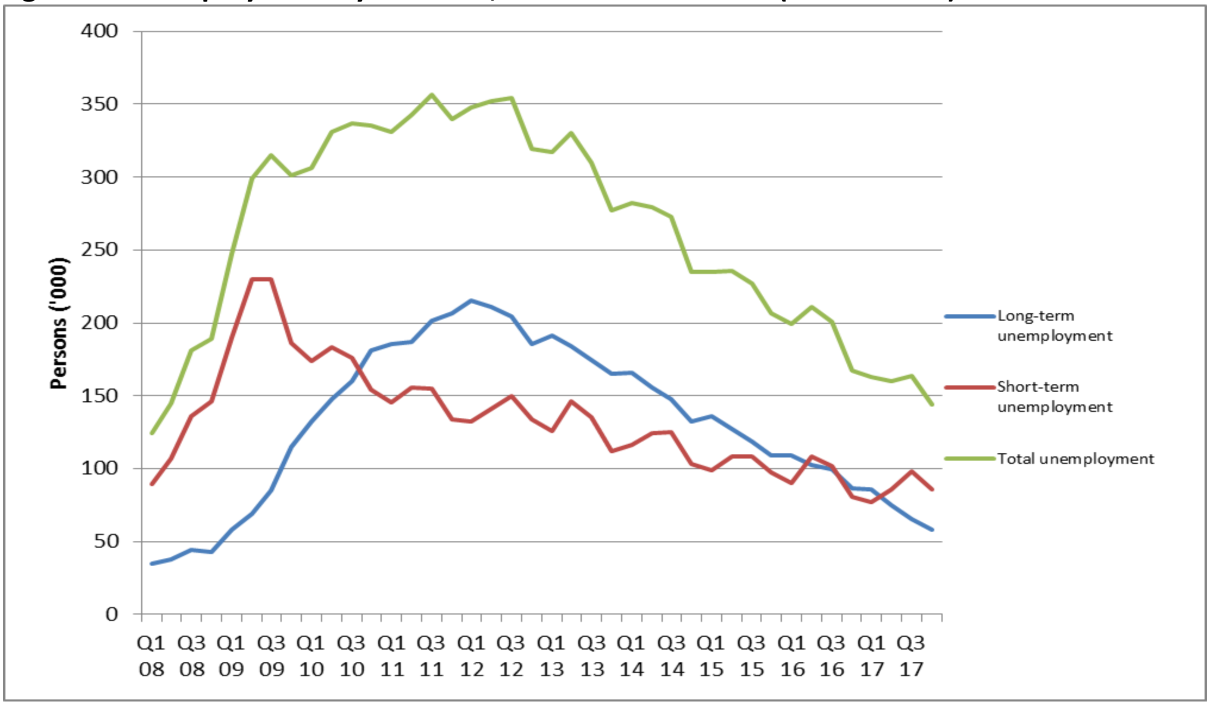
The employment rate for women and men aged 20-64 was 73% in 2017, an increase of more than eight percentage points since 2012, showing a continuing improvement in the labour market after a fall from 75% in 2007 to 68% in 2009 and less than 65% in 2012. The employment rate for men in 2017 was 79.1%, up from 68.8% in 2012. The female employment rate has shown a more modest but still significant increase, from 60.2% in 2012 to 67% in 2017. The gender gap in employment rates had almost halved from 16 percentage points in 2008 to nine percentage points in 2012, but has widened slightly since then to 12.1 percentage points in 2017 as male employment continued to recover relatively rapidly from the particularly sharp fall it had experienced in the recession. The employment rate for young people aged 20-24 has risen from 54.1% in 2012 to 63.4% in 2017.

The employment recovery was initially led by a relatively narrow group of sectors – accommodation and food service activities, professional services[5], distribution, manufacturing and construction. During 2014-17, employment growth extended more widely in sectoral terms, with particularly strong continuing gains in construction.

The employment rate has now substantially exceeded the upper end of the 2020 target range of employment rates of 69-71%.

Unemployment

Figure 3: Unemployment by duration, Q1 2008 to Q4 2017 (Source: CSO)



The seasonally adjusted unemployment rate is currently 6.1% (March 2018); down from a peak of 16% in early 2012, the rate is now approaching pre-recession levels. The male seasonally adjusted unemployment rate of 6.5% compares with a female unemployment rate of 5.6%.

The number who are long-term unemployed (defined as being unemployed for a year or more) has fallen by 140,000 or almost 70% over the last four years. Long-term unemployment accounted for 40% of total unemployment at the end of 2017. Although the long-term unemployment rate has fallen from a peak of 9.8% to 2.5% (and continues to fall) it remains above pre-crisis levels.

[5] These are, predominantly, legal, accounting and engineering/architecture services.

Youth Unemployment

Overall, the under-25 age group had an unemployment rate of 14.4% in 2017 (20.7% for 15-19 year-olds and 12.0% for 20-24 year-olds). The overall rate was down from 30.4% in 2012. This compares to an unemployment rate of 5.9% for prime age workers (ages 25–54). About 28%, on average, of the young unemployed in 2017 were out of work for more than one year.

The absolute number of young unemployed people has fallen substantially – from close to 95,000 on average in 2009 to 39,600 on average in 2017. The most recent figures show youth unemployment down by 10,000 year-on-year to 33,000 in Q4 2017.

Some of the fall in youth unemployment has been a result of demographic developments arising from birth trends in the 1980s and 1990s, the tendency for some young people to stay longer in education rather than seeking work in a depressed market and the impact of emigration.[6] Increasingly, however, it has reflected the improvement in the labour market and rising employment rates for the young. As a result of this fall, young people now represent 27% of all the unemployed, down from a share of 40% in mid-2008. Latest estimates indicate that the seasonally adjusted youth unemployment rate fell to 12.6% in February 2018.

Twin Strategies

Government policy to reduce unemployment is twofold. First, through policies set out in the *Action Plan for Jobs*, to create an environment in which business can succeed and create jobs; and second, through *Pathways to Work* to ensure that as many of these new jobs and other vacancies that arise in our economy are filled by people taken from the Live Register. To date, these policies have had considerable success in reducing unemployment. The unemployment rate has fallen from 16% in February 2012 to 6.1% in February 2018. The actual number of unemployed has fallen from 356,000 to 142,000 over this period. Irish unemployment is now significantly below the EU average.

Action Plan for Jobs

The *Action Plan for Jobs*, introduced in early 2012, is a whole-of-Government approach to support job creation. There are over 345,000 more people at work since the first Plan was launched in 2012. The *2018 Plan* has sets a target to add up to 50,000 extra jobs, and implement 55 actions.

The *Action Plans* are underpinned by the following strategic goals:

- Create 200,000 additional jobs by 2020, including 135,000 outside Dublin;

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[6] Although the results of the 2016 Census indicate that emigration of young people between 2011 and 2016 was much more limited than had been estimated at the time.

- Grow trade and investment in existing markets and diversify into new markets;
- Deliver strong competitive regions to drive regional employment;
- Develop and attract high quality talent;
- Become a global innovation leader to grow and diversify the composition of our exports;
- Drive productivity across all sectors of the economy; and
- Achieve a top five competitiveness ranking.

The four key immediate aims of the *Action Plan for Jobs 2018* are:

- That Ireland's enterprise base remains successful amid the uncertainty created by Brexit;
- That all parts of the country achieve their potential in terms of job creation;
- That those entering, re-entering, or in the workforce have the incentives and skills needed to prosper; and
- That Ireland's enterprise base remains successful by focusing relentlessly on competitiveness, productivity, and innovation.

A continuing emphasis on regional enterprise and employment growth is demonstrated through the implementation of the eight *Regional Action Plans for Jobs* launched between 2015 and 2016 by the Department of Business, Enterprise and Innovation. *Action Plan for Jobs 2018* commits to undertake a refresh and refocus of the existing *Regional Action Plans* to 2020. This work has commenced through the nine Regional Implementation Committees, involving key regional stakeholders that include the Enterprise Agencies, Local Authorities, Higher Education Institutes, LEOs, and 'enterprise champions' from the business community.

Pathways to Work

The *Pathways to Work Strategy* sets out a comprehensive reform of the State's approach to helping unemployed jobseekers return to work. It was initiated in 2012 and is designed to complement the *Action Plan for Jobs* as part of a twin-pronged approach to tackling the jobs crisis that emerged in the final years of the last decade.

As noted in the 2017 *National Reform Programme*, *Pathways to Work* reforms to date include the establishment of 'one-stop shop' Intreo centres, and a transformation of jobseeker services through Intreo; new schemes and employment supports; expansion of some existing schemes; and a re-organisation of the Further Education and Training (FET) sector. The *Youth Guarantee Implementation Plan* set out reforms to policies and processes, focusing on earlier and enhanced engagement with the newly young unemployed to facilitate their return to work. For those who did not find employment, additional places were provided on a range of existing and youth-specific schemes. *Pathways to Work* also implemented a number of reforms to facilitate the long-term unemployed to return to employment, including the introduction of the payment-by-results model of *JobPath* to provide contracted employment services. The *Pathways to Work* strategies from 2012 to 2015 were successful in contributing to a reduction of approx. 40% in the numbers of people unemployed over that period.

The *Pathways to Work* strategy for 2016 to 2020 was published in January 2016. It considers how activation approaches developed during a time of recession should be adapted for a time of recovery and as a tool of social/active inclusion during a period of prosperity. It therefore adopts a two-pronged approach to further labour market and activation reforms:

- Consolidation: Consolidating the recent reforms to the Public Employment and Welfare Services and optimising provision to maximise outcomes for its clients.

- Development: Gradually expanding access to activation services, as resources allow, to other non-employed people of working age.

The strategy contains 86 actions across 11 Departments and agencies. There are 10 metrics against which progress is measured. As at end 2017, 77% of actions had been completed; 12% of actions were on target for completion by their due date; and 12% of actions were underway but were off target in terms of their due date. Work continued in 2017 on: ensuring at least monthly engagement between case officers and those already, or at risk of becoming, long-term unemployed; promoting the availability of employment services to voluntary engagers; responding to the recommendations of the '*Make Work Pay*' group to facilitate those with a disability to take up employment; and measures to enhance the quality of employer engagement. *Pathways to Work 2016-2020* measures for the young unemployed have been completed and/or are ongoing (the share of workplace-based interventions has been increased; *First Steps* is being restructured; monthly engagement with case officers is being consistently maintained). In 2017, 114,000 people were referred to group engagements and 81,200 people attended initial one-to-one interviews. A number of specific performance targets were set for 2017 in relation to the long-term unemployed and young unemployed. These targets have been met or exceeded (for example, in 2017 the target was to move a further 15,000 people, who had been long-term unemployed at the beginning of 2016, into employment; by end 2017, an estimated 21,000 had gained employment).

The rolling, multi-annual *Pathways to Work Evaluations Programme* continued in 2017. It draws upon an episodic administrative database, the Jobseekers' Longitudinal Database (JLD), capturing jobseekers spells of unemployment and exits to employment, training and education, from 2004.

The main evaluation completed in 2017 was on the *Back to Work Enterprise Allowance* scheme (BTWEA), which showed a substantial impact on employment outcomes when comparing participants to eligible non-participants. The results were published, and fed into a wider policy review completed in 2017, which led to some modifications to the programme. A qualitative review of the *Back to Education Allowance* (BTEA) was also completed and published.

Formal evaluations due in 2018 relate to a) the overall *Intreo* reforms (results due in Q2); b) *JobPath* contracted employment services (with OECD oversight); c) the *JobsPlus* recruitment subsidy programme.

The overall evaluation programme includes large-scale annual customer satisfaction surveys for users of both *Intreo* and *JobPath*. The results of the October 2017 wave were published in February 2018, and show high and rising levels of customer satisfaction with both service strands.

While the current and future outlook for employment is positive, challenges remain in relation to the level of participation in a constantly evolving labour market. While there has also been a significant fall in the numbers on the Live Register, it has not declined at the same pace as unemployment. Furthermore, the participation rate fell during the downturn and has yet to fully recover. Participation levels are now below the European average. *Action Plan for Jobs 2018* includes specific actions to address participation levels including increasing awareness of labour activation services and developing the *Affordable Childcare Scheme*.

Activation

Activation is a key policy tool to boost labour force participation. The direction of future policy in this area is guided by a number of strategies, including *Pathways to Work.*

One of the key actions of the strategy requiring further progression is the extension of active engagement to a broader cohort including qualified adult dependants of jobseekers.

Additional supports for activation measures were included in Budget 2018 in order to support jobseekers in their return to work. A new work placement scheme, the *Youth Employment Support Scheme* (YESS), announced in Budget 2018, will commence in Q2 2018 to support young people to return to employment. The scheme focuses on the development of soft employment skills and is targeted at young people considered to be long term unemployed as well as those in receipt of disability payments.

The Government recently established an interdepartmental working group to develop proposals in relation to increasing paid leave for parents during the first year of a child's life. The Group is due to report back with proposals for options by the end of April 2018.

Improving incentives

In terms of improving incentives and removing barriers for people transitioning from welfare to employment, there have been a number of positive developments:

- Rollout of *Housing Assistance Payment* to allow working families to continue to receive tapered accommodation supports;
- Progress on rollout of the *Single Affordable Childcare Scheme* which has both a universal and a targeted element, ensuring that access to affordable childcare is not a barrier to labour market participation, including female labour market participation; and
- Budget 2018 saw an increase in the income thresholds for the *Working Family Payment* for families with up to three children and an increase in the income disregard level for recipients of the *One Parent Family Payment* and *Jobseekers Transition payment*. Both these measures are designed to improve accessibility to in-work benefits and therefore support low-income working families.

Going forward there is a need to continuously monitor replacement rates to ensure the reforms have a positive impact on incentives to work for different household types.

Boosting labour market outcomes for people with disabilities

Activation services are a vital policy tool in helping to improve outcomes for people with disabilities and other cohorts removed from the labour market.

- One of the cornerstones of the *Comprehensive Employment Strategy for People with Disabilities* is to improve the employability of people with disabilities through providing enhanced supports. Given the improvements in the labour market and the significant investment which has been made in activation services over the past few years, there is ample scope to deliver enhanced activation services to a broader cohort beyond jobseekers.
- Both the *Action Plan for Jobs* and *Pathways to Work* strategies commit to extending activation services, on a voluntary basis, to qualified adults and people with disabilities. This will be actively progressed going forward.

4.2. Target 2 – Research and Development

To raise combined public and private investment levels in this sector to 2.5% of GNP (approximately equivalent to 2.0% of GDP).

Ireland's R&D intensity rate was 1.52% of GNP in 2015 and 1.43% in 2016. The fall back is due to Ireland's significant GDP/GNP growth in 2015 of 26.3%/18.7%. Public Expenditure on R&D increased from €727 million in 2014 to an estimated €768 million in 2017, the highest since 2011.

Results from the 2015-2016 *Business Expenditure on Research and Development* survey show that €2.233 billion was spent on R&D activities by enterprises in Ireland in 2015. This represents an increase of 10% compared with actual expenditure in 2013 of €2.022 billion.

Total expenditure on R&D in the higher education sector in 2014 amounted to €730.1 million. Higher Education R&D increased by 52% between 2004 and reaching its peak in 2008 at €749.8 million. Since 2008 Higher Education R&D declined to €664.4 million in 2012, but increased by 9.9% to €730.1 million in 2014.

When using GNI*[7] as a complementary indicator, the R&D intensity rate is estimated at 1.72% for 2016.

While progress towards Ireland's 2.5% target is slower than hoped, Ireland is making significant headway in delivering many of the other commitments in *Innovation 2020*.

- Five new *Science Foundation Ireland Research Centres* were announced, bringing the total number of SFI Research Centres to 17;
- Launch of *Revised Research Priority Areas 2018 to 2023*, with which the majority of competitively awarded public R&D funding will be aligned;
- Enactment of the Knowledge Development Box legislation for SMEs;
- €513 million secured under *Horizon 2020*, the EU Framework Programme for R&D;
- A new PhD and Research Masters Programme to provide funding for 150 new enrolments in disciplines aligned to enterprise was announced in the context of Budget 2018;
- The launch by *Knowledge Transfer Ireland* of a further Technology Transfer Strengthening Initiative to embed knowledge transfer within the public research system;
- The launch of a new programme of funding for frontier research across all disciplines (the *Irish Research Council Laureate Awards*);

[7] After a surge in Irish GDP of more than 26% in 2015 it became broadly accepted that GDP and GNI do not provide a complete understanding of the Irish economy. The CSO introduced the Modified Gross National Income (GNI*) indicator designed to reflect aspects that distort the aggregate size of the domestic economic activity, to be used as a complementary indicator where necessary.

- Ireland has increased its participation in International Research Organisations (IROs) and is now a member of eight IROs including *ELIXIR* (the international research organisation for the Life Sciences) and *LOFAR* (the network of radio telescopes distributed across Europe) and is negotiating its membership of *ESO* (European Southern Observatory). Membership of such IROs provides opportunities for Irish researchers and innovators and is the tangible evidence of Ireland's commitment to developing its international innovation, research and development footprint;
- A new *Enterprise Ireland/IDA Ireland Meat Technology Centre* launched;
- Three new *Technology Gateways* added to the network;
- Implementation of research related recommendations arising from the HEA Review of Gender Equality;
- The announcement of a range of measures addressing physical infrastructure and human capital development in the higher education sector including for research. This includes €21 million to increase the pipeline of researchers across all disciplines and €200 million for Public Private Partnerships with a particular focus on physical capital needs across the Institute of Technology sector. It also includes an additional €257 million over the period 2018 to 2021 for higher education institutions to expand capacity and upgrade campus infrastructure, including for research; and
- A new €500 million *Disruptive Technologies Innovation Fund* was announced by the Government as part of *Project Ireland 2040*. This Fund will be implemented through the Department of Business, Enterprise and Innovation and its agencies, working with other research funding bodies. Disruptive technologies are transforming business models in a broad range of areas including healthcare, financial services, energy and food production, and business services. The Fund will help to drive collaboration between Ireland's world class research base and industry as well as facilitating enterprises to compete directly for funding in support of the development and adoption of these technologies, and seeding a new wave of start-ups.

European Research Area

The *2015-2020 European Research Area Roadmap* identifies a number of key implementation priorities which are likely to have the biggest impact on Europe's science, research and innovation systems.

Ireland's commitment to deepening its engagement within the European Research Area (ERA) is articulated in *Innovation 2020* and Ireland's *European Research Area Roadmap* and is being implemented through actions that:

- Enhance coordination and coherence across the full range of policy instruments so that public resources are deployed to maximum effect making its research system more effective;
- Optimise engagement at transnational level through, inter alia, *Horizon 2020*, bilateral relationships with third countries, active engagement with joint programming and

European Strategy Forum on Research Infrastructures (ESFRI) processes and membership of international research organisations;

- Ensure that research is an attractive career option, that Ireland is an open, and appealing prospect for overseas researchers and that impediments to career progression and mobility of researchers will be identified and tackled through development of a national policy on structured progression for researchers;
- Promote gender equality in researcher careers and improve participation of women in research and innovation activities, implement the relevant recommendations from the *National Review of Gender Equality in Irish Higher Education*; and
- Actively develop the *Open Science* agenda through promotion of open access to publications and open access to research data.

Based on the commitments set out in *Innovation 2020*, the Irish ERA Roadmap sets out the range of actions Ireland will take to deepen its engagement with ERA and the six ERA priorities.

4.3. Target 3 - Climate Change and Energy

By 2020: to reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16%; to move towards a 20% increase in energy efficiency.

Project Ireland 2040 identifies the transition to a low carbon and climate resilient society as a national strategic objective and sets out a series of policies and measures to this end.

In particular, it places climate action objectives at the heart of public capital investment plans. Building on the *National Mitigation Plan* and the *National Adaptation Framework* (detailed below), the capital commitment of €21.8 billion over the next ten years represents a step-change in Ireland's delivery of climate-action objectives and will support a significant reduction in GHG emissions and increased energy efficiency over the period to 2030.

As part of this, *Project Ireland 2040* includes a new €500 million Climate Action Fund for collaborative and innovative projects that support Ireland's transition to a low carbon and climate resilient society.

Ireland is taking a proactive approach to stimulate the development of new sectors and opportunities to promote energy efficiency, reduce emissions, increase the use of renewable energy, and better incentivise the private sector to tackle the challenge of climate change.

This includes the development of a National Policy Statement on the Bioeconomy, published in March 2018 and developed based on extensive stakeholder consultation. The Policy Statement sets out a vision, strategic objectives and an implementation framework for a co-ordinated approach to the development of Ireland's bioeconomy that harnesses Ireland's natural resources and competitive advantage. The bioeconomy can contribute to decarbonising our economy, mitigating climate change, creating employment - especially in rural communities - and integrating sustainable economic development into our economic model as we transition to a low carbon and circular economy.

Greenhouse Gas Emissions

The target set for Ireland is that emissions in the non-traded sector should be 20% below their level in 2005 by 2020. This will be Ireland's contribution to the overall EU objective to reduce its non-ETS emissions by 10% by 2020 compared to 2005 levels. Ireland's target is jointly the most demanding 2020 reduction target allocated to EU Member States, which is shared only with Denmark and Luxembourg.

The latest projections from the *Environmental Protection Agency* (April 2017) indicate that emissions from those sectors of the economy covered by Ireland's 2020 targets could be between 4% and 6% below 2005 levels by 2020. The projected shortfall to our targets in 2020 reflects both the constrained investment capacity over the past decade due to the economic crisis, and the extremely challenging nature of the target itself.

As a means to addressing the climate challenge, Ireland's first statutory *National Mitigation Plan* was published in July 2017. A central objective of the Plan is to close the gap to the 2020 target and to prepare for the EU targets that Ireland will take on for 2030. It sets out over 70 mitigation measures and 106 related actions to reduce emissions in the four sectors with the most significant contribution to national emissions (electricity generation; the built environment; transport; and agriculture, forestry and land use).

The *National Mitigation Plan* is a living document that will be updated as ongoing analysis, dialogue and technological innovation generate more and more cost-effective sectoral mitigation options. The most recent list of measures, currently in place in the context of the *National Mitigation Plan*, is set out in the *2017 Annual Transition Statement*, which was published in accordance with the *Climate Action and Low Carbon Development Act 2015*. The Statement details the key measures in place in the respective sectors, the objective for each measure, estimated mitigation potential and funding information, where appropriate.

In relation to carbon tax, pursuant to a commitment in the *National Mitigation Plan*, the Department of Finance is engaged in a joint research initiative with the ESRI to examine the environmental, social and economic implications arising from changes in the rate of carbon tax. It is expected that this analysis will inform budgetary decisions on the future direction of policy in this area. Additionally, a review on all fossil fuel subsidies, including tax expenditures, is due to take place in 2019. This is to meet a commitment in the *National Mitigation Plan* in an effort to further incorporate the polluter pays principle. The examination will look at reduced tax rates applying to some fuels for social or other reasons and seek to ensure that an environmental rationale is applied to the combustion of all fossil fuels.

Alongside the *National Mitigation Plan*, Ireland's first statutory *National Adaptation Framework* (January 2018) set outs the national strategy for the application of adaptation measures to reduce Ireland's vulnerability to the negative effects of climate change.

Under the Framework, Government departments/agencies with responsibility for twelve priority sectors are to prepare sectoral adaptation plans in line with the *Climate Action and Low Carbon Development Act 2015* and the policies set out in the Framework itself.

The commitment of resources through *Project Ireland 2040* will support delivery of the adaptation and mitigation measures.

Renewable Energy

Ireland's focus remains on the implementation of existing schemes and measures to support investment in renewable energy. In addition to existing measures, the Irish authorities are developing new support schemes for renewable electricity (the *Renewable Electricity Support Scheme*, expected to open in 2019) and for renewable heat (the *Support Scheme for Renewable Heat*, expected to open in 2018).

In 2016, 9.5% of energy (across the electricity, transport and heating sectors) consumed in Ireland was from renewable sources. Ireland has achieved its 2015-2016 indicative interim target (i.e. 8.9%) on the path to the binding 2020 target of 16%. However Ireland recognises that reaching the 2020 target remains challenging. The *Sustainable Energy Authority of Ireland* projects that Ireland will achieve between 13.2% and 15.4% of its 16% renewable energy target by 2020.

27.2% of electricity energy consumed in 2016 was from renewable sources. To date, wind energy, as the most cost effective technology available to Ireland, has been the largest driver of growth in renewable electricity accounting for 22.3%. Ireland's aim is to achieve 40% of electricity consumed in 2020 from renewable sources.

5% of transport energy consumed in 2016 was from renewable sources. The *Biofuel Obligation Scheme* sets a mandatory requirement on fuel suppliers to ensure a certain percentage of all fuels placed on the market are biofuels. Initial estimates indicate that an increase in the biofuels obligation rate at the start of 2017 has led to over 7% of energy consumed in the transport sector coming from renewable sources. A public consultation process is currently underway in relation to further planned increases in the biofuels obligation rate for 2019 and 2020.

A range of support measures are also in place and being developed to incentivise the take up of electric vehicles. Ireland's aim is to achieve 10% of energy consumed in the transport sector being from renewable sources by 2020.

In the heat sector 6.8% of energy consumed in 2016 was from renewable sources. The most significant contributor was biomass (75% of the total) in particular in the industrial sector. A new *Support Scheme for Renewable Heat* is currently being developed which will incentivise the use of renewable energy heating systems across all non-residential sectors. In the residential sector, the *Better Energy* schemes provide grant funding for heating systems such as solar thermal and heat pumps. In addition, building regulations require that new buildings include a level of renewable energy. These measures ensure that renewable energy in the heat sector will continue to make a growing contribution to Ireland's 2020 target. Ireland's aim is to achieve 12% of energy consumed in the heat sector being from renewable sources by 2020.

Energy Efficiency

Ireland set a national target to improve its energy efficiency by 20% by 2020, meaning that energy savings of 31,925 GWh should be made. The implementation of Ireland's third *National Energy Efficiency Action Plan (NEEAP 3)* resulted by end 2016 in energy savings of 18,654GWh (or just under 12/20% target). The most recent estimates available, as set out in *NEEAP 4* (the final iteration of the plan before 2020, which was published in early 2017), indicate that measures in place at that time were projected to deliver savings of c. 25,900 GWh by 2020 (which would represent 16.23/20% target). €117 million has been allocated for energy efficiency investment in 2018, an increase of over €50 million since 2015 (or 34%). This is facilitating the scaling up of effort and expansion of supports and schemes in the residential, commercial and public sectors as set out in *NEEAP 4* and in Ireland's new *Long Term Renovation Strategy 2017-2020*.

The *Warmth & Wellbeing* scheme (a joint policy initiative between Department of Communications, Climate Action and the Environment and the Department of Health to provide energy efficiency upgrades to the homes of people with respiratory conditions), a residential *Deep Retrofit Pilot*, and a central Government building upgrade scheme, are already underway to create the evidence base for how the deeper measures necessary to achieve the much greater level of energy savings required post 2020 can be achieved. In addition, supports for fossil fuels in the existing residential grant programme are being phased out, with the ending of grants for fossil fuel boilers under the Better Energy Homes scheme in January 2018. In the commercial sector two new pilot schemes were launched in 2017, a *Dairy Pilot Scheme* and an *SME Smart Lighting scheme*. In addition, the scaled up *EXEED* (Excellence in Energy Efficient Design) scheme investment has two objectives – to facilitate achievement of increased efficiency, and crucially, to pilot and test the potential of new approaches and create a robust evidence base for the step change in effort that will be required post 2020. €10 million is allocated to EXEED in 2018.

Ireland set a more ambitious energy efficiency target of 33% for the public sector. Latest data show the reporting public sector bodies had achieved energy efficiency of 20%. This represents energy spend savings of €133 million and 520,000 tonnes of avoided emissions for 2016 alone. To assist the public sector in achieving further savings, Ireland's first *Public Sector Energy Efficiency Strategy*, was developed by the Department of Communications, Climate Action & Environment and published in 2017.

4.4. Target 4 – Education - Tertiary Attainment

To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; and to increase the share of 30-34 years olds having completed tertiary or equivalent education to at least 60%.

The higher education system in Ireland continues to expand and enrol more students. Overall, student numbers in the sector increased from 196,000 in 2011/12 to 225,000 in 2016/17, an increase of some 13%.

This has raised third level education attainment in Ireland to 53.3% for 30-34 year olds, up from 52.6% in 2013. This exceeds the EU average of 39.7% by 13.6 percentage points.

Higher Education Authority reports on Retention and Progression in the third level system are available on the HEA website www.hea.ie. These show that 85% of full-time undergraduate new entrants in 2013/14 progressed to their second year of study in 2014/15. The rates of non-progression in 2013/14 varied within and between sectors, ranging from 26% and 27% at levels 6 and 7, to 16%, 11% and 6% at Levels 8 in universities, institutes of technology and colleges respectively.

Overall new entrant non-progression rate was 15% in 2007/08 and was constant at 16% from 2010/11 to 2012/13. However, rates of progression vary across the sector and between disciplines. For example, non-progression rates in 2013/14 range from 4% in Education to 28% in Construction and related fields of study. In line with the 2012/13 analysis, 2013/14 students on Construction (28%), Services (22%), Computer Science (22%) and Engineering (22%) programmes displayed non-progression rates above the national average. Further work will be done to see how students can best be supported to continue on their course or transfer to another programme.

By the end Q2 2018 it is planned to have completed a review of existing career guidance tools and career information for post-primary/further education/higher education students and adults, currently in place across the education and training system in Ireland. The purpose of the review is to ensure that we are providing a high quality, relevant career guidance support service to all students from post–primary level up to further and higher education.

Additional funding of €36.5 million was provided for Higher Education in Budget 2017. Building on that investment, an additional €60 million investment in higher education was announced in Budget 2018. This additional funding will allow for targeted initiatives in higher education including skills programmes, performance and innovation funding, technological university development and apprenticeship costs in the sector. It will also allow for places to be provided for 2,100 additional students in 2018. Furthermore Higher

Education was highlighted as a key area for investment under *Project Ireland 2040*. A transformative investment programme is planned including:

- Undertaking a €200 million PPP investment in 11 institutes of technology; and
- Implementing a comprehensive exchequer capital investment programme with additional cumulative investment of €2.2 billion out to 2027. This will also be accompanied by major structural changes with the emergence of Technological Universities with their new mandate to underpin and drive regional development.

Early School Leaving Rate

To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%.

Ireland's current share of early school leavers (i.e. 18-24 year olds with at most lower secondary education and not in further education and training) fell to 6.1% in 2017, which is a very significant achievement and is substantially below our 8% target.

DEIS Plan 2017 (Delivering Equality of Opportunity in Schools) sets out the Department of Education and Skills goals, targets and actions for improving the learning outcomes and overall life opportunities of children and young people at greatest risk of not reaching their potential by virtue of their socio-economic circumstances.

DEIS Plan contains specific targets as regards pupil retention and progression to Further and Higher Education. It aims to continue to improve retention rates at second level in *DEIS* schools from their current rate of 84.41% to the national norm, currently 91.2%, by 2025. Progression to Further and Higher Education includes a target to increase the percentage of people from the non-manual worker group in Higher Education to 30% by 2019 and to increase the percentage of people from the semi/unskilled manual worker group in higher education to 35% by 2019.

The Government is committed to ensuring that children with special educational needs can be supported to fully participate in schools and fulfil their potential. Expenditure on special education has grown significantly in recent years by 38% between 2011 and 2017 and stood at €1.7 billion or 19% of education expenditure in 2017. In Budget 2018, the Government provided:

- 100 extra teachers to further support the implementation of the special education teaching model and 230 extra teachers in special schools and special classes;
- An estimate 1,000 new Special Needs Assistants posts;
- 10 additional NEPS psychologists plus €2 million for a new Pilot scheme for in-school Speech and Language Therapists; and
- An additional €1.5 million for supporting *DEIS*.

4.5. Target 5 - Poverty reduction

To reduce the number of people in consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.

The Irish contribution to the Europe 2020 poverty target is to reduce by a minimum of 200,000 the population in 'combined poverty' (i.e. at-risk-of-poverty or basic deprivation).

Since 1997 Ireland has developed national anti-poverty strategies to provide a strategic framework in which to tackle poverty and social exclusion. The current strategy, the *National Action Plan for Social Inclusion*, identifies a wide range of targeted actions and interventions to achieve the overall objective of reducing consistent poverty.[8] It has three main components: (i) adequate minimum income; (ii) inclusive labour markets; and (iii) access to quality services. This is based on an approach where active inclusion means enabling every citizen, notably the most disadvantaged, to fully participate in society, including having a job. The Plan contains 14 goals which include a focus on early childhood development, youth exclusion, access to the labour market including measures for people with disabilities, migrant integration, social housing, and affordable energy.

The Department of Employment Affairs and Social Protection is preparing the biennial *Social Inclusion Report* on the cross-departmental implementation of policies in 2015 and 2016 to tackle poverty. In addition, the Department, in consultation with relevant stakeholders, is in the early stages of developing a new *National Action Plan* for the period 2018-2021. The aligned national social target for poverty reduction will also be reviewed.

Progress towards the national social target for poverty reduction is reported annually in the *Social Inclusion Monitor* (SIM).[9] Work has begun on the latest Monitor, which is based on the 2016 CSO *Survey on Income and Living Conditions*. In 2016, incomes rose by 3% mainly due to rising employment, the deprivation rate fell for the third year running, and 7,000 children were lifted out of consistent poverty.

There has been improvement in 'combined poverty', the Irish contribution to the Europe 2020 poverty target, with the rate falling from 33.7% in 2015 to 29.2% in 2016 – see Figure 4. This equates to 1.39 million people, and is roughly equivalent to the 2010 baseline. Thus, approximately 180,000 people will need to be lifted out of combined poverty to meet the Europe 2020 target.

Consistent poverty fell from 8.7% in 2015 to 8.3% in 2016 representing a further decline on the peak rate of 9.1% in 2013. The interim target of 4% by 2016 was not achieved.

[8] www.welfare.ie/en/downloads/Updated%20National%20Action%20Plan%20For%20Social%20Inclusion%202015-2017.pdf

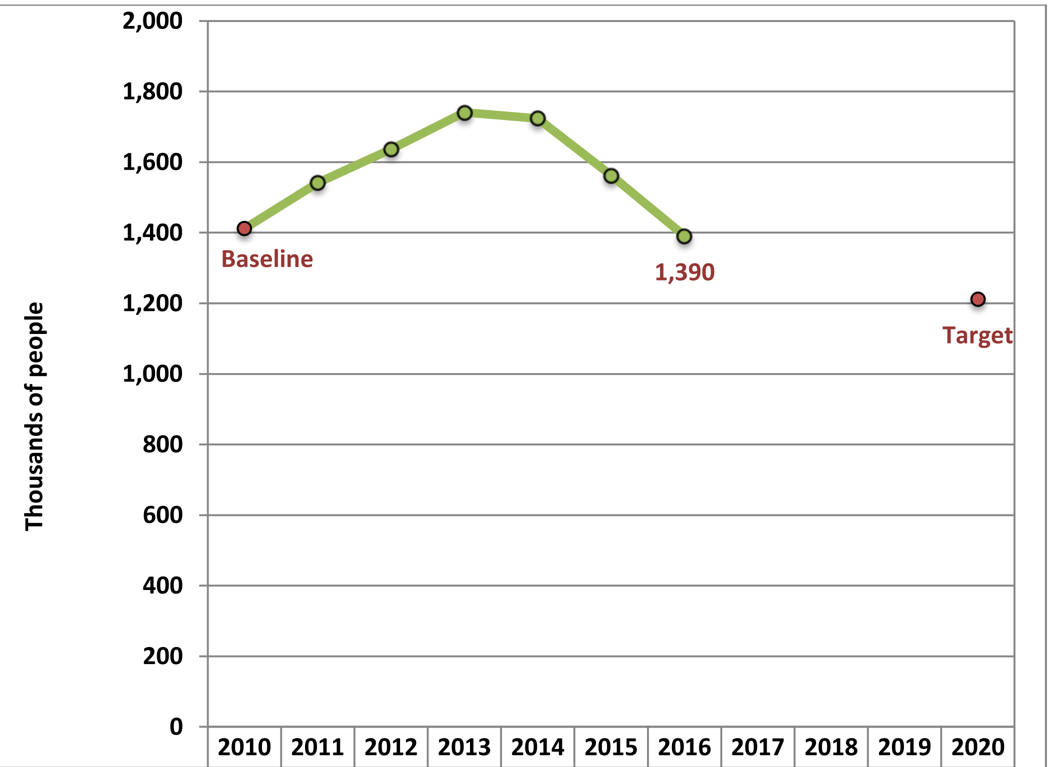
[9] www.welfare.ie/en/Pages/Social-Inclusion-Monitor.aspx

Nevertheless, Ireland was more equal in terms of the income distribution than at any time this decade, with a Gini coefficient of 30.6 in 2016.

Comparable Eurostat data for 2016 show that social transfers continued to perform strongly in Ireland, reducing the at-risk-of-poverty rate from 33.6% to 16.5%, a poverty reduction effect of 51%. Ireland's performance in reducing poverty was far in excess of the EU-28 norm of 33.2% and above the 43.4% reduction achieved in the UK. Ireland and Denmark rank joint first of the 28 member states for reducing poverty through social transfers.

While the latest results point to the improvements in living conditions and in tackling poverty, there is some way to go to achieve the national social target for poverty reduction. Given the continuing employment growth and economic recovery throughout 2017 and measures introduced in Budgets 2017 and 2018, figures for those years, when they become available, should show further improvements.

Figure 4: Ireland's contribution to the Europe 2020 poverty target



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IE combined poverty ('000s)	1,412	1,542	1,637	1,741	1,724	1,562	1,390				1,212
IE combined poverty %	31.0%	33.6%	35.7%	37.9%	37.4%	33.7%	29.2%				

Source: SILC, various years

Measures to tackle poverty

A focus of recent budgets has been to allocate the limited resources in a prudent way, to make sure that everyone benefits from the recovery. Budget 2018 increased the weekly rates of social welfare payment for working-age schemes and for pensioners; raised the income disregard for one-parent family payment and jobseeker's transition payment recipients; raised the income threshold for small families in receipt of the *Family Income Supplement* (now known as the *Working Family Payment*); and increased the weekly rate for qualified child dependents.

The *Programme for a Partnership Government* includes a commitment to reduce poverty levels by supporting an increase in the minimum wage to €10.50 per hour over a five year period relying on the annual recommendations of the Low Pay Commission on the level of adjustment each year. In Budget 2018, the national minimum wage was increased to €9.55 per hour, per the recommendation of the Low Pay Commission, with effect from 1 January 2018 (having been previously increased from €8.65 to €9.15 in Budget 2016 and from €9.15 to €9.25 in Budget 2017).

The impact of those changes, along with income tax changes, was analysed in the *Social Impact Assessment* of Budget 2018[10], using the ESRI tax/benefit model SWITCH, with average household income increasing by 1.1% (€11.40 per week). The bottom two income quintiles gained most, with smaller gains among the middle and top quintiles. The assessment found there were gains in income across all family types, with non-earning households gaining most. Non-earning lone parents, non-earning couples (with and without children) and non-earning singles would gain the most at 2.5%, 2.8% and 3% respectively. Budget 2018 provided greater rewards for working, with over 85% of the unemployed substantially better off in work. Social transfers continued to perform strongly in reducing poverty with an estimated 0.6 percentage point reduction in the population at-risk-of-poverty, as a result of the Budget.

The *Programme for Partnership Government* also commits to addressing the increasing casualisation of work and to strengthening the regulation of precarious employment. The Minister for Employment Affairs and Social Protection has introduced priority legislation – the *Employment (Miscellaneous Provisions) Bill 2017* - to addresses a number of areas where current employment rights legislation should be strengthened to the benefit of employees, particularly low-paid, more vulnerable employees. The Bill will: strengthen the provisions around minimum payments to low-paid, vulnerable employees who may be called in to work for a period but not provided with that work; prohibit zero hour contracts in most circumstances; and ensure that employees on low hour contracts who consistently

[10] Social impact assessment is an evidence-based methodology which uses a tax/welfare simulation model developed by the ESRI to estimate the likely distributive effects of budgetary measures on income and social inequalities. See: http://www.welfare.ie/en/Pages/SocialImpact2018.aspx

work more hours each week than provided for in their contracts, are entitled to be placed in a band of hours that better reflects the reality of the hours they have worked on a consistent basis over an extended period.

5. EU funds

Ireland has been allocated approximately €2.19 billion for European Agricultural Fund for Rural Development (EAFRD), €147 million for the European Maritime and Fisheries Fund and just over €1.2 billion in relation to the other funds - European Regional Development Fund (ERDF), European Social Fund (ESF) and European Territorial Co-operation (ETC) programmes over the period 2014–2020.

Of the €1.2 billion (in current prices) for Structural Funds (ERDF and ESF), €411 million is for the two ERDF co-funded Regional Programmes and €545 million is for ESF co-funded programmes. There is also an additional €68 million provided for the *Youth Employment Initiative* which is programmed through the ESF programme. The balance (€169 million) is for European Territorial Co-operation programmes; the PEACE Programme, the Ireland/Northern-Ireland/Scotland Programme, the Ireland/Wales Programme; and the Northern Periphery, North West Europe and Atlantic Area trans-national programmes.

Consistency between ESIF spending priorities and CSRs/Europe 2020 targets

In accordance with the regulations governing the ESIF, Ireland has prepared a Partnership Agreement which assesses its development needs and defines national priorities to support its *National Reform Programme* and the achievement of national targets for delivering the *Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth*. On 18 November 2014 the Government and the European Commission both approved Ireland's Partnership Agreement for the European Structural & Investment Funds for the period 2014-2020. This now constitutes a set of binding commitments from Ireland for the programming period, which are fully consistent with Ireland's *National Reform Programme*.

The funding priorities identified for Ireland's ESIF programmes take account of the *Europe 2020 Strategy*, the *National Reform Programme* and our national consultation processes. In line with these, Ireland has decided the following funding priorities for the 2014-2020 period:

- Promoting jobs and growth;
- Combating unemployment and social exclusion;
- Promoting R&D and ICT investment and the competitiveness of the business sector; and
- Promoting an environmentally-friendly and resource efficient economy.

With regard to CSR 2 and the findings in the 2018 Country Report on Telecoms (4.5.2), Research, Development and Innovation (4.5.3) and Energy and Climate Action (4.5.4), it should be noted that for ERDF at least 80% of resources at national level have been allocated to:

- Research and innovation;
- Information and communication technologies (ICT);

- The improvement of the competitiveness of Small and Medium-sized Enterprises (SMEs); and
- The shift towards a low-carbon economy (energy efficiency).

At least 20% of ERDF resources had to be allocated to the low carbon economy priority. In addition, at least 5% of ERDF resources had to be allocated for integrated programmes relating to sustainable urban development. In fact Ireland chose to devote 20.6% of its ERDF resources to the low carbon economy, and almost 10% for Sustainable Urban Development.

With regard to CSR 2 and the findings in the 2018 Country Report on Labour Market (4.3.1) and Education and Skills (4.3.3), for the ESF at least 80% of resources at national level have been allocated to:

- Promoting sustainable and quality employment and labour mobility;
- Education, training and life-long learning; and
- Promoting social inclusion and combating poverty and discrimination.

In excess of 35% of the total ESF allocation has been directed to promoting social inclusion and combating poverty and discrimination.

In terms of the EU 2020 targets, the ESF priorities are closely aligned with the employment and tertiary education targets. The ESF Programme emphasis on upskilling and social inclusion measures is designed to maximise active participation in the labour market, including the reduction of long term unemployment and in so doing realise a reduction in the numbers of those at risk of poverty. The ESF co-financing also supports a range of digital skills training in the FET sector.

With regard to the findings in the 2018 Country Report on Investment for Balanced and Sustainable Growth (4.4.1), under Ireland's *Rural Development Programme* (RDP) for the period 2014-2020, a fund of over €4 billion (including €2.19 billion of EAFRD funding) will be spent on a range of measures designed to support the competitiveness of agriculture and the sustainable development of the rural economy. The ranges of measures in the RDP include:

- Significant investment in addressing in an integrated manner a range of environmental, biodiversity and climate change challenges;
- Targeted investment in developing the knowledge base in the sector and supporting innovative approaches and techniques;
- Broad based support for a range of capital investments designed to underpin the efficiency and competitiveness of the sector; and
- Continued support for delivery via the LEADER model of a range of supports to address wider rural development issues.

Moreover, the Operational Programme supported by the European Maritime and Fisheries Fund (EMFF) in Ireland aims at achieving key national development priorities along with the EU's *Europe 2020* objectives. The Programme will support the general reform of the EU's *Common Fisheries Policy* and the development of its *Integrated Maritime Policy* in Ireland. Almost €240 million will be spent through the Programme over the period 2014-2020 including €147 million in EU Funding.

6. Institutional Issues and Stakeholder Involvement

The preparation of this *National Reform Programme* was coordinated by the Department of the Taoiseach in partnership with all relevant Departments.

Stakeholder engagement is an important part of the process. The Department of the Taoiseach coordinated central engagement with a range of stakeholders following publication by the European Commission of the Country Report on Ireland on 7 March.

Stakeholders consulted included regional representatives, representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations.

Submissions were received from 11 groups, a summary of which is included in Annex 2:

- Better Europe Alliance
- Community and Voluntary Pillar
- Environmental Pillar
- European Anti-Poverty Network Ireland Policy Group
- IBEC
- ICTU
- Irish Co-operative Organisation Society
- Irish Delegation to the EU Committee of the Regions
- Irish Farmers Association
- National Adult Literacy Agency
- Social Justice Ireland

Each of the submissions was circulated to relevant Government Departments and stakeholder views were considered in the preparation of this NRP and subsequently a draft NRP was circulated to stakeholders for their views. The engagement by external stakeholders was very welcome. In many instances, the stakeholder submissions advocate new or different policy initiatives in particular areas, which require further consideration. In such circumstances, those views have been circulated to relevant Departments for their consideration in the context of future policy development.

The Joint Oireachtas Committee on European Union Affairs was also invited to share their views on the European Semester process.

The NRP was brought before Cabinet and approved on 17 April 2018.

Beyond the immediate focus of the preparation of this NRP, engagement at sectoral and departmental level is encouraged with regard to the range of specific issues that arise in the context of this NRP. The Government regularly consults with relevant stakeholders across a range of policy areas through standing formal groups and through open public submissions as part of the development of specific policies.

Some examples of ongoing engagements include:

- The *National Economic and Social Council* (*NESC*) meets on a regular basis and advises the Taoiseach on strategic policy issues relating to economic, social, and sustainable development. The NESC provides a forum for multilateral dialogue on the economic, social and environmental challenges facing the country and plays an important role in developing a shared understanding between Government and stakeholders on important policy challenges. The Council's current work programme focuses on the areas of Low Work Intensity Households, Climate Change and Land Value, Land Use and Urban Development. Members include representatives from business and employer interests, ICTU, farming and agricultural interests, community and voluntary sector, environmental sector, public servants and independent experts.

- The *National Competitiveness Council* reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation, on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position. In March 2018, in accordance with the European Council recommendation on the establishment of National Productivity Boards by Eurozone countries, the Government approved changes to the Council's terms of reference to make it the body responsible for analysing developments and policies in the field of productivity and competitiveness in Ireland. Members include representatives of the employer and trade union social partnership pillars, people with relevant expertise in competitiveness and a representative of the Department of Business, Enterprise and Innovation. Representatives from other Government Departments attend Council meetings in an advisory capacity.

- The Government established the *Labour Employer Economic Forum* (LEEF) in July 2016 as a formal structure for dialogue with representatives of employers and of labour on economic and social policies as they affect employment and the workplace. The Forum is sponsored by the Minister for Finance and Public Expenditure and Reform and the Minister for Business Enterprise and Innovation. The LEEF meets on a quarterly basis with a format that includes a standing item on Brexit and a further discussion on a topical issue. Topics discussed in the past year include *Project Ireland 2040*, housing and pension reform.

- The *Labour Market Council* is an independent group of industry leaders and labour market experts established by the Government in 2013 to drive the Government's *Pathways to Work* strategy and advise on future *Pathways to Work* strategies and on wider labour market and employment policy. It supports the Government's work addressing labour market issues.

- The *National Skills Council* and the *Regional Skills Fora* were established by the Department of Education and Skills as part of the *National Skills Strategy 2025* and *Action Plan for Education 2016-2019* commitment to develop a new skills architecture. Established in 2017, the National Skills Council is made up of members from the public and private sector who advise on the existing and future skills needs of our economy and society. The nine *Regional Skills Fora* were established in 2016 and provide a structure for enterprise, employers and the education and training system to work together to respond to the identified skills needs of their regions.
- The Department of Foreign Affairs and Trade convenes a *Brexit Stakeholder Forum*. The Forum, which meets every 4-6 weeks, brings together key stakeholders with a view to regularly updating members on the progress of Brexit negotiations, facilitating the sharing of sectoral concerns to enable wider understanding of Ireland's overall priorities for negotiations and providing a platform for sectoral and EU expertise to underpin the Government's comprehensive and cohesive approach to Brexit.
- The Department of Employment Affairs and Social Protection engages with a wide range of stakeholders on social protection and inclusion policies and practice. The national and local stakeholders include people experiencing poverty, civil society groups, government/public officials, social partners and experts. Examples of the Department's stakeholder engagement activities include bilaterals with civil society groups, annual events like the *Pre-Budget Forum* and the *Social Inclusion Forum* (SIF) and social inclusion initiatives that provide support to community groups for local level projects across Ireland to raise awareness of the UN Day for the Eradication of Poverty. SIF 2017, with a theme of *National Action Plan for Social Inclusion 2007–2017 reflecting on the past and informing the future* was held on the 25th May. A report summarising the inputs from speakers, discussions during workshops/plenary sessions and common themes that emerged is due to be published shortly. Preliminary arrangements for SIF 2018 have commenced.

- The *Retail Consultation Forum* was established in 2014 by the Department of Business, Enterprise and Innovation and provides a platform for engagement between retail representative bodies, retailers and the public sector on key concerns for the retail sector, including skills and Brexit. It meets biannually and is chaired by the Minister for Business, Enterprise and Innovation.

Other relevant policy consultation processes included:

- The Department of Finance and Department of Public Expenditure and Reform hosted a *National Economic Dialogue* in Dublin Castle on 28-29 June 2017. The objective of the dialogue was to facilitate an open and inclusive exchange on the competing economic and social priorities facing the Government as it prepared for Budget 2018. It was informed by the macro-economic and fiscal parameters, including the EU budgetary framework.

- In September 2016 the Government appointment Mr Seamus Coffey to carry out an independent *Review of Ireland's Corporation Tax Code*. The Department of Finance published the review in September 2017. A consultation process was held on the Review from October 2017 – January 2018 as recommended in the review, to allow better informed policy-making.

- The Department of Housing Planning and Local Government, on behalf of the Government, consulted with people across Ireland through a national campaign asking for views and opinions about making a plan for Ireland, in preparation for the drafting of the *National Planning Framework*. Thousands of submissions were received, reviewed and considered before a draft plan was drawn up.

- The Department of Business, Enterprise and Innovation engaged extensively with stakeholders in relation to *Innovation 2020*. A further commitment in *Innovation 2020* is the identification of strategic areas of commercial opportunity for Irish based enterprise in global markets. Consultation with key stakeholders including industry representative organisations, companies and market experts has been a critical feature of this study. March 2018 saw the launch of the revised *Research Priority Areas 2018 to 2023*. In developing the evidence base, three reports were undertaken to inform the review of priority areas: a horizon scan of global markets; a technology futures exercise; and an audit of progress under the current priority areas. Each of these reports involved extensive consultation with stakeholders from industry, academia and the public sector. The findings from these reports along with views elicited from over 90 stakeholders at a Consultation Forum in November 2017, led to the development of the refreshed priority areas.

- The Department of Communisations, Climate Action and Environment engages extensively with stakeholders on energy policies and actions. In line with delivering on the commitment in the 2015 Energy White Paper to ensure communities and citizens are at the centre of the future energy transition in Ireland, stakeholder engagement is a key stage in the process to develop further policies, actions and measures aimed at incentivising the introduction of sufficient renewable generation to deliver renewable energy targets. Examples of stakeholder engagement include public consultation on proposed new renewable energy schemes, focused workshops and extensive engagement with market actors. In developing the new *Renewable Electricity Support Scheme* (RESS) communities and citizens are effectively being designed into the fabric of the new scheme. A public consultation process is underway to determine potential future increases in the obligation rate in 2019 and 2020.

- A public consultation was carried out in March 2016 by the Department of Communications, Climate Action and Environment ahead of the preparation of a draft *National Adaptation Framework*. The *Climate Action and Low Carbon Development Act 2015* provides for consulting with the *Climate Change Advisory Council* in developing a *National Adaptation Framework* and that before submitting a Framework to the Government for approval must also consult with the public and any interested parties inviting submissions on a draft Framework. These consultative processes have taken place with a public consultation on a draft *National Adaptation Framework* taking place in September/October 2017. The Framework was also prepared with input from the *National Adaptation Steering Committee* (which includes representation from key sectors and agencies), academic experts and the draft was peer reviewed by two international experts.

- A number of non-statutory consultations took place to inform the preparation of a draft *National Mitigation Plan* (NMP) in the Department of Communications, Climate Action and Environment. In 2016, a briefing document was published informing the public of the context for the NMP, the process by which the NMP was being prepared, the proposed outline structure of the NMP and invited early stakeholder engagement on Ireland's national transition to a low carbon future. Furthermore, each of the Departments with responsibility for the four key sectors covered in the NMP – Electricity Generation; the Built Environment; Transport; and Agriculture, Forestry and Land Use – undertook stakeholder participatory initiatives to input into the decision making process on policies and measures to be included in the draft NMP. With regard to statutory consultation, in accordance the *Climate Action and Low Carbon Development Act 2015* the Department consulted with the *Climate Change Advisory Council* and relevant Departments in developing a NMP. Furthermore, before submitting the NMP to the Government for approval, the Department consulted and invited submissions from the public and any interested parties on a draft NMP. These consultative processes took place with a public consultation on a draft NMP carried out in March/April 2017 prior to the final NMP being submitted to Government for approval in June 2017. Oversight and input was provided for by an inter-Departmental *National Mitigation Plan Steering Group*, as well as by both the Senior Officials Group, and the Cabinet Committee, on Infrastructure, Climate Action and the Environment.

- The Department of Business, Enterprise and Innovation initiated a series of consultative engagements with key external stakeholders to discuss their priorities for inclusion in *Action Plan for Jobs 2018*. This includes employer representative bodies, trade unions, the Community and Voluntary Pillar, a regional and sectoral selection of IDA and Enterprise Ireland client companies, an Industry Partners Forum, as well as an open public consultation notice. The Industry Partners Forum was created at the time of the launch of *Action Plan for Jobs 2013* to ensure a collaborative Government Industry approach to achieving the jobs impact. Comprised of business leaders from major employers, each

Partner is expected to “bring their experience and skills to bear on implementing the Disruptive Reforms and on Government jobs and enterprise policy more generally”. This forms an important part of the development of the *Action Plan for Jobs*. A High Level Consultation Forum was hosted by the Minister on the drafting of the *Action Plan for Jobs 2018* in Farmleigh House on 6 November 2017.

Annex 1 – Project Ireland 2040

Project Ireland 2040 includes two core elements:

- A *National Planning Framework* (NPF) which sets out a, high-level, long-term vision for Ireland's projected growth and development to 2040, providing a Framework and principles to accommodate one million additional people (20% increase over 2016 Census), 660,000 extra jobs and 550,000 extra homes; and
- A €116 billion *National Development Plan* (NDP) which sets out an ambitious and strategic vision for Ireland's investment in public infrastructure over the next 10 years.

Public infrastructure investment will play a critical role in ensuring a 'whole of government' implementation of the NPF. Critically, the NPF planning strategy is fully aligned with the ten-year NDP investment strategy, to ensure that it is supported by the €116 billion national capital investment programme to 2027.

This alignment is based on a series of ten National Strategic Outcomes (NSOs) developed following extensive public consultation, shared between both the NDP and NPF, that relate to more balanced and sustainable regional development and infrastructure provision, and target the following:

(1) Compact Growth;
(2) Enhanced Regional Accessibility;
(3) Strengthened Rural Economies and Communities;
(4) Sustainable Mobility;
(5) A Strong Economy, supported by Enterprise, innovation and Skills;
(6) High Quality International Connectivity;
(7) Enhanced Amenity and Heritage;
(8) Transition to a Low Carbon and Climate Resilient Society;
(9) Sustainable management of Water, Waste and other Environmental Resources;
(10) Access to Quality Childcare, Education and Health Services.

Project Ireland 2040 is different for three reasons:

- First, it is different because it is starting with a set of social objectives and values that are also consistent with prudent economic decision making and securing a high quality environment. It is designed primarily to enhance the wellbeing of everyone who lives here, and to build a fairer, more equal society where everyone has the opportunity to realise her or his full human potential.
- Second, it is different because it intervenes proactively to redirect uncontrolled gravitation of economic and social advantage to places that already have those advantages, towards those that do not have those advantages. Under *Project Ireland*

2040, our investment is supporting our planning objectives, rather than being developer-led.

- Third, it is different because it is a framework – it enables proper long-run sectoral planning for areas like housing, transport and other infrastructures for the next 10 years and while it envisages certain major national projects, crucially, further national, regional and local projects will be prioritised, designed and delivered at the relevant levels.

The overall shared national aim is to facilitate a plan and investment led approach that enables both rural and urban places to play to their strengths. The NPF commits Government to a balanced approach to the development of Ireland's three regional assembly areas, rural areas and towns and cities, targeting 50% of population growth to take place in towns and rural communities and 50% in the five principal cities, with 75% overall, outside of Dublin.

The NPF strategy balances targeted regional and city growth with the identification of five regionally focused centres to lead development within their regional areas. This ensures strategic planning at a national and regional level, but also enables scope for further growth and ambition to be determined at a local level.

The NDP will see public capital investment in Ireland increase from relatively low levels following the recession to being among the highest in the EU by 2021 and this will be sustained over the entire remaining period of the plan.

The average capital investment in the EU over the last twenty years was in the region of 3% of national income. Under the NDP it is projected that public capital investment will reach 3.8% of national income (GNI*) in 2021 and 4% by 2024, with sustained investment averaging 4% on an annual basis over the period 2022 to 2027.

The NDP also reflects the 'bottom-up' demand for increased public capital investment identified in the evidence base produced for the review of the capital plan published in September 2017.

This approach will ensure that public investment underpins the sustainability of economic growth and avoids contributing to economic instability and exacerbating any risks of unbalanced and inflationary growth. It is important to adopt a prudent and measured approach to increased public capital spending as reflected in the NDP, particularly in circumstances where there is a high degree of uncertainty regarding the cyclical position of the economy and the risk of overheating.

The NPF and NDP are being followed through by the three Regional Assemblies bringing forward complementary Regional Spatial and Economic Strategies, an intermediate tier that link strategic planning and investment at the national level with the physical planning and local economic and community development functions of Ireland's 31 local authorities.

Formulation of the Regional Spatial and Economic Strategies has commenced and will be completed by early 2019. The three Regional Plans must also incorporate new Metropolitan Area Strategic Plans for each of Ireland's five cities, to address city-wide strategic planning and investment priorities.

As part of the NDP, implementation of the NPF is supported by a €3 billion *Regeneration and Development Fund* for rural and urban development over ten years to 2027 and a commitment to establish of a new *National Regeneration and Development Agency* in 2018.

The rural and urban fund will be subject to competitive bids that can leverage other public and/or private investment and other criteria that support the *Project Ireland 2040* shared National Strategic Outcomes (NSOs).

The new *National Regeneration and Development Agency* will assist Regional and Local Authorities, in their functions, particularly in relation to compact development. They will address the strategic management and re-use of public lands and will be further supported by enhanced powers in relation to private lands.

As Government Policy, there is now a requirement for consistency between Regional and Local plans and the NPF, as part of existing planning legislation (the *Planning and Development Act 2000* as amended).

This will be further enhanced through the enactment of current draft planning legislation, (expected Q2 2018), that will introduce a new Office of the Planning Regulator (OPR) to oversee the operation of the strategic planning hierarchy and make provision for future enactment and review of the NPF.

Publication of the NPF marks the first stage of a comprehensive re-alignment of planning and investment in Ireland, with the purpose of co-ordinating strategic spatial development and infrastructure provision to achieve identified shared national goals in an efficient and sustainable manner.

Before the launch of the NDP the Government had committed to investing €29 billion of Exchequer resources over the next four years. In the NDP, Government have now made a commitment of €91 billion Exchequer resources over the next ten years to deliver identified strategic investment priorities explicitly knitted into the objectives of the NPF.

Furthermore, the NDP will see the implementation of the recommendations of the International Monetary Fund's Public Investment Management Assessment which was carried out in 2017. This will lead to a greater focus by Government on achieving value for taxpayers' money when it comes to public capital investment in Ireland over the period of the plan.

Annex 2 – Summary of Stakeholder Submissions

A summary of stakeholders' submissions is provided below. Please note this is not exhaustive and the full submissions are available on the Department of the Taoiseach at www.taoiseach.gov.ie. These submissions were also circulated to the relevant Government departments and will be considered in the context of future policy development.

Organisation	Summary of Issues raised	Summary of Proposals
Better Europe Alliance	• Economic goals have dominated the semester process and have not supported delivery of a balanced process. • We are glad that this year, the analysis of the climate aspects has improved significantly. However the Report fails to integrate climate change fully into its analysis. • Infrastructure projects have been included in the NDP without any assessment of the climate impacts. • The Report should have taken note of the Smarter Travel Policy, adopted in 2009, which set a 2020 target of reducing greenhouse gas emissions from the transport sector below 2005 levels. This target will not be met. • The development of renewable energy needs to be maintained and increased. Unfortunately it has slowed in recent years. • Consistent under-investment in public infrastructure by successive Governments has created a deficit in essential services. • The Country Report indicates that some progress has been made in the areas of social housing but does not look behind the headline figures. • Despite favourable lending rates and payback terms, there remains a recurring cost to service the national debt – costs which have to be financed by current taxation	• Give greater balance between economic, social and environmental policy and recognise their interdependence. • Carbon proof NDP/NPF and ensure investment decisions are consistent with long-term climate emissions pathways. • Develop policies to reduce agricultural and land use emissions. • Ensure that Ireland's fiscal commitments under the Fiscal Compact and the SGP do not inhibit Ireland's investment strategy. • Maximise its fiscal space as much as possible under the fiscal rules; amend the fiscal rules to: i. better accommodate shift level increases in social and physical investment spending and to exclude that spending from the structural deficit target; ii. exclude public investment in social infrastructure (such as health, education, social housing, childcare) from the 3% public deficit threshold. • Publish annual review and analysis of tax expenditures prior to Budget and present it to Oireachtas Committee on Budgetary Oversight. • Incorporate CSO demographic projections in expenditure & revenue projections. • Pillar of Social Rights needs to be assessed according to the ambition in each member state to deliver on the 20 principles/rights. • The NRP and Country Report should include specific mention of policies and legislation which are key to implementing the UNCRPD and CRSs should reflect whether these national measures are meeting the standards of the UN CRPD. • European Semester should collect and reference disability specific data. • National Action Plan for Social Inclusion 2018-2021 must be ambitious and

Better Europe Alliance (cont.)	revenues. • The use by corporations of Ireland's tax rules for aggressive tax planning is a cause for concern to the Alliance. • There is significant potential to incorporate disability specific considerations throughout the EU Semester process and these should reflect and reference the United Nations Convention on the Rights of Persons with Disabilities, UN CRPD. • Poverty in Ireland is at crisis levels and addressing it requires a strong response. • In real terms in Ireland social welfare (and minimum income) rates are not adequate to lift people above the 60% poverty line or provide them with a Minimum Essential Standard of Living. • Though affordability is highlighted as a major concern, the Alliance would seek greater clarity on what does or does not constitute overvaluation in this respect. • The Alliance is concerned with respect to the lack of reference to the risks associated with credit-based initiatives such as the Help-to-Buy Scheme and the more recent Rebuilding Ireland Home Loan Scheme. • It is vital to urgently shift from the current policy focus on the supply of social housing through the private sector. • The lack of appropriate housing for people with disabilities is a crisis within a crisis which is not even mentioned in the Country Report. • Efforts to explore various and appropriate restructuring	integrated, designed and implemented with the participation of those affected by all poverty stages. • Implement transparent and effective process for the poverty, equality and gender impact assessment of all relevant policy. • Benchmark social welfare rates at a level which is sufficient to lift people above poverty line and provide them with a Minimum Essential Standard of Living. • Under the poverty target introduce sub-targets across the different measures for groups with high levels of poverty. • Adequately address the shortfall in social and affordable housing - avail of the Structural Reform Clause introduced in 2015 by EU member states for those that may require it, the reclassification of AHBs should not impede efforts to ramp up social housing output. Review tax measures such as the vacant site levy. Explore measure for incentivising the development of new accessible housing for people with disabilities. • Robust policies must be put in place to deal with the escalating price of housing, address the issue of vacant housing through taxation measures and the use of compulsory purchase orders and develop a publicly provided cost rental sector. • Enhance measure to protect the security of tenure of households. • Incrementally increase investment in early years to bring Ireland's overall expenditure in line with UNICEF recommendation of 1% of GDP. • Base state subsidies on a realistic assessment of the cost of providing quality childcare. • Initiate measures to recognise and regulate the childminding sector. • Extend the Early Years Education Focused Inspections beyond the ECCE scheme into services for under threes and afterschool care. • Expand paid parental leave to 12 months and develop a gender-balanced use of family related leave as per the European Directive of Work-Life Balance. • Adopt a person centred approach to employment supports and activation

Better Europe Alliance (cont.)	options, including debt write off and favourable rates such as are being offered to vulture funds, must be rigorously pursued in order to prevent repossessions and ensure people can remain in their homes. • The true homeless figure is in reality much greater, and the crisis more acute, than official figures indicate. • It fails to refer to the poor pay and conditions of childcare staff which significantly hinders the development of quality improvement measures. • One ongoing challenge is the lack of recognition and regulation of the childminding sector and the implications for quality standards and children's safety and well-being. • Under *Pathways to Work 2016-2020* the Department of Employment Affairs and Social Protection had commissioned a counterfactual evaluation of its own part of the Public Employment Service (PES), Intreo, where is the report and what learning is arising? • Members of the Better Europe Alliance receive feedback through their work from people of working age about the difficulties in securing access to decent employment. Amongst the issues raised are uncertainty of hours; transport and caring costs; ageism; skills mismatch with available employment. The prohibitive cost of car insurance has been raised, and in particular the exorbitant rates facing young people. • Welcomes that there continues to be a downward trend in early school leaving, but inequalities in access to third level persist and the number of young people not in education,	programmes, which incorporates an integrated active inclusion approach addressing adequate minimum income, quality services and an inclusive labour market with decent jobs. • Progress the structural inequalities facing younger people; older people; people from ethnic minorities including Travellers; women; people with disabilities; people parenting alone; people who are long-term unemployed, set sub-sets to the national employment target. • Policies like the APJ, Action Plan for Education and Pathways to Work must articulate how they will meet them; ensure that available and emerging jobs are of decent quality and can provide a living wage. • Re the Programme for Government commitment to "Increase the minimum wage to €10.50/hour by 2021"; given that the Living Wage was estimated as €11.70 per hour, it is absolutely critical that this target is not only met, but that a more ambitious target is set and achieved. • Promote access to lifelong learning for those working in less secure employment. • Introduce sub-targets under the overall Europe 2020 education target for children from groups with a particularly low educational attainment. • Bring Ireland's spending on school aged children in line with the rest of Europe and provide the requisite level of investment to deliver genuinely free primary and secondary education. • Enhance supports under DEIS programme to close gap with non-DEIS schools. • Leverage evidence based programmes to support children from disadvantaged backgrounds located in non-DEIS schools. • Improve supports under SUSI, resource and implement National Plan for Equity of Access to Higher Education and commit to publicly funded higher education. • Create a new vision to address literacy and numeracy over the next 10 years. • Ensure adults with literacy, numeracy and digital needs with less than QQI level 4 qualifications are offered a high quality and relevant learning opportunities.

Better Europe Alliance (cont.)	training or employment remains high. • The development of a framework for employee skills development is overdue and we eagerly await its publication. • Reform of the health system is a pressing issue and must be addressed.	• Move forward with the implementation of the Sláintecare report. • Health system with equal access for all, based on need rather than ability to pay. • Primary and community care services must be invested in so that effective step down from acute hospital settings becomes a reality. • Budget for Exceptional Needs Payments must be increased for those who have to travel to access healthcare. • Review of what specialist treatments could be provided for local hospitals. • Continue with measures to reduce prescription costs. • Staffing issues in health system such as retaining new graduates be addressed.
Community and Voluntary Pillar	• High rates of poverty and income equality require greater attention. • We have reached crisis point on the issue of housing. • Need to refer to impacts of Brexit on poverty and child protection and social impacts more broadly. • Significant potential to incorporate disability specific considerations throughout semester process and in context of EU2020 targets regarding poverty, education and employment. • Highlight risks/cost effectiveness issues with use of HAP/RAS. • Lack of appropriate housing for people with disabilities, an issue which must receive increased focus.	• Launch investment programme focused on creating employment and prioritising initiatives that strengthen social infrastructure (school building, social housing). • Bring tax take up to Euro average and consider vacant property tax. • Resource up-skilling of those who are unemployed/at risk of becoming unemployed by integrating training and labour market programmes. • Set sub-targets - the reality of labour market exclusion is often lost in national/overall targets. • Set a more ambitious national target of 5% for reduction of early school leaving. • Adopt a more ambitious adult literacy target to reduce the proportion of the population aged 16-64 with restricted literacy to 5% by 2020; and to 3% by 2025. • Adopt a 15% target for participation in lifelong learning (for consistency with Irish National Skills Strategy 2025). • Complete the legislative process to under pin the ACS. • Closely monitor fee levels in childcare services over time. • Reduce by 2020 the consistent poverty rate to 2%; the at-risk-of-poverty rate anchored in time to 8%; and the at-risk-of-poverty (only) rate to 7%. • Deliver on the commitment to end long term use of emergency accommodation. • Put in place robust policies to deal with the escalating price of housing, address the issue of vacant housing through taxation measures and the use of compulsory purchase orders and develop a publicly provided cost rental sector. • Use the Structural Reform Clause introduced in 2015 by EU for those that may require it to allow for greater investment in infrastructure, including housing.

Environmental Pillar	• Supports the broadening of the tax base and recommends that this be done in an integrated way so as to support environmental objectives. • Disagrees with the statement made in the Country Report that "*Any new infrastructure is to account for its impact on Ireland's obligations under the EU energy, climate and air quality policies*". • A lack of quantitative assessment of greenhouse gas emissions carried out in relation to the NPF and NDP. • No progress in relation to circular economy.	• Broadening of the tax base by increased taxation on environment and resources rather than increasing taxation on individuals. • Introduce single-use non-compostable item levy & an aggregates levy and advocate other types of taxes that incorporate polluter pays principles. • A Government plan for Ireland to meet its greenhouse gas emissions targets. • NRP should commit to producing greenhouse gas emissions estimates for all transport infrastructure investment from the start. • Irish Water, when calculating its estimates of investment needs, must take into account our obligations under the Urban Waste Water Treatment Directive and Water Framework Directive. • Include the development of circular economy policies in NRP.
European Anti-Poverty Network (EAPN) Ireland Policy Group	• Welcomes the increased investment announced in the National Development Plan, however highlights the low tax levels and the tax base as challenges to addressing the deficits that exist in the provision of public services. • We still face a crisis in addressing poverty and social inclusion in Ireland and must redouble our poverty reduction efforts. • It is important to recognise that current social welfare levels are not sufficient to prevent people from falling into poverty or to provide them with an income to have a decent life and calls for the benchmarking of welfare levels to provide adequacy. • Welcomes the National Development Plan 2018-2027 but says it must result in public services that are affordable, of high quality, and accessible to all. • Measures to address housing and homelessness issues are not adequate to meet the demand and are also not addressing the immediate crisis of individuals and families ending up homeless. • The announcement of the new Affordable Childcare Scheme in Budget 2017 is welcomed by the Group.	• Implement effective and transparent poverty, equality and gender impact assessments across all relevant policy areas. • Introduce measures which increase tax levels in a progressive and fair manner rather than implementing policies which reduce the tax take. • Introduce sub-targets for other groups with higher than average poverty levels. • End differential payments of jobseekers payments by age. • Take account of cost of disability in addressing social welfare supports. • The rate of support for Asylum Seekers should be increased to that proposed by the Working Group. • Rent supplement and HAP must be at levels which meet market rates. • An independent Traveller Accommodation Agency to oversee the provision of appropriate and quality accommodation. • Greater investment in appropriate housing for older people. • Increase investment in a quality, accessible and affordable childcare system. • Socio-economic status to become a tenth ground under Irish Equality and Human Rights legislation. • The employment target to be broken down separately for men and for women each with its own specific policy measures. • The criteria for access to jobseekers' payments changed from one based on days to one based on hours. • Reform the Family Income Supplement so that those who qualify for it

European Anti-Poverty Network (EAPN) Ireland Policy Group (cont.)	• Urgent action is needed to address health inequalities. • The overall focus in creating jobs must be on ensuring that workers have the capacity to bring home an adequate weekly wage. • It is concerned the Government's commitment to deliver and implement the Youth Guarantee has dissipated. • The issue of in-work poverty and access to quality jobs continues to be a major concern. • Welcomes that Ireland has already surpassed its target for early school leaving. • Believes it essential the level of stakeholder engagement in the process be greatly improved.	automatically receive it. • Introduce sub-targets under the education target which can highlight the different participation and outcome levels for specific groups. • Report on the goals set out in the National Skills Strategy including addressing specific challenges related to literacy and numeracy. • The education target needs to include an adult literacy target. • Need a statutory scheme to provide homecare services. • Propose 6 principles to address health inequalities. • Level of stakeholder engagement in Europe2020 and European Semester process needs to be improved.
Irish Business and Employers Confederation (Ibec)	• Skills gaps risk becoming wider - labour shortages. • Investment is now on track to rise to sustainable levels, but delivery will be key. • Continued shortages of affordable housing in Ireland threaten to undermine the achievement of many of our economic policy goals. • The high marginal tax rates necessitated by the extreme progressivity of our system has distortive effects for Ireland with marginal rates of almost and over 50% for large cohorts of workers being a real challenge for Irish firms creating high-value jobs and rewarding skilled workers.	• NTF supported programmes that aren't meeting employer-defined up-skilling/ re-skilling should be discontinued or funded from alternative exchequer sources. • New NTF supported cost reimbursement scheme which would enable employers to choose suitable training services from individual accredited education and training providers should be introduced. • Expedite current review of the employment permit regime by DBEI. • The Government should produce a credible response to the under-funding of tertiary education and develop a sustainable model based on contributions from the state, individuals and business. • Child benefit payments should be means tested. • The ECCE scheme should be expanded to include children aged 1-3 yrs, increased to 4 hours and supplemented by a formal out-of-school hours care system. • Oppose Commission proposals to amend Written Statement Directive. • Lower the price of land by increasing the supply of serviced land. • Play a more direct role in direct build social housing. • Introduce a temporary reduction on VAT on new build housing. • Revenue buoyancy and base-broadening measures should ensure labour taxation only constitutes about 1/3 of overall revenue. • Link top marginal rates to above average wage to avoid fiscal drag as wages grow.

Irish Congress of Trade Unions (ICTU)	• The repair of public services, infrastructural bottlenecks, demographic change, the impact of new technology and uncertainties arising from Brexit require a 'quantum leap' in public investment to match the scale of the challenges facing Ireland. • Government needs to be more ambitious than it has been to date while it appreciates that overcoming the housing and homelessness crisis is a major challenge that will take time. • Ireland needs to move to an adequately-funded, publicly-controlled and universally-accessible single-tier national health service. • High cost of childcare a barrier to labour market entry. • Education spending in Ireland falls short of what is needed to equip children, students and workers with the skills to work and live in a fast-changing world. • Low public expenditure on R&D remains a case for concern • Many austerity cuts could and should now be reversed. • It would have liked to have seen more consideration of the implications of Brexit in the EU Commission country report.	• Abandon tax cutting agenda and give greater consideration to limiting tax expenditures and to broadening the tax base and end 9% VAT rate for hospitality sector. • Increased funding for community health services and for education and training. • Additional capital expenditure to increase the proportion of renewable energy and improving energy efficiency. • Increase welfare payment rates and the hourly rate of the minimum wage to the rate of the living wage. • Establish a Retraining and Income Protection Fund to enable workers in vulnerable enterprises and sectors transition to new employment. • A cross-border Regional Adjustment Fund to direct investment to specific regions likely to be severely affected by Brexit. • Adoption of a public programme of house-building of at least 10,000 homes per annum. • Government to work towards adoption of work life balance directive.
Irish Co-operative Organisation Society (ICOS)	• It is critically important to anticipate and prepare for the possible economic implications of Brexit. • Lending rates available to Irish businesses including farm businesses are above the EU average. • Availability of affordable, long term finance is essential for the economy to successfully deal with future challenges.	• A targeted income stability tool is urgently needed to insulate the primary producer from the worst effects of income volatility. • European Semester process should provide flexibility for member states to support and assist vulnerable sector. • Include climate actions measures in Project Ireland 2040 in NRP.
Irish Delegation to the Committees of the Regions	• Re planning related issues the delegation highlights the response to undersupply of housing in the NDP and the Action Plan for Housing and Homelessness. • Re energy and climate related issues, the delegation notes a range of initiatives have been undertaken to improve	• Local authorities need to be empowered to compel agencies over which they have oversight to properly discharge their obligations and ensure that LECP objectives are achieved. • Re EU Funding, ensure regional funding is maintained in the years to come particularly in light of Brexit.

Irish Delegation to the Committees of the Regions (cont.)	Ireland's performance in reaching 2020 targets. • The country report makes no mention of the €22bn earmarked for climate action and large strides have been made in meeting the need for public and private investment in smart metering. • Need to adopt a more localised/regionalised perspective of progress.	
Irish Farmers' Association	• Concerns asset management companies are seeking short-term debt recovery on long-term debts through the sale of assets, irrespective of the repayment capacity of a farm.	• Funds that have purchased loans should be regulated and accountable to Oireachtas. • 5 key principles proposed to base negotiations between farmer borrowers in difficulty and loan owners to rebalance power and achieve sustainable outcomes for both parties.
National Adult Literacy Agency (NALA)	• Upskilling targets in National Skills Strategy represent significant challenge in light of limited hours of literacy tuition.	• Report on the goals set out in the National Skills Strategy including those related to literacy and numeracy. • Adults with literacy, numeracy and digital needs and less than a QQI Level 4 qualification should be offered a high quality and relevant learning programme with a local education and training provider. • Introduce targeted paid leave programme for employees with less than a level 4 qualification to develop basic literacy and numeracy skills.
Social Justice Ireland	• Policies pursued over many years are resulting in the ongoing exclusion of people who already find themselves on the margins of society. • Inclusive growth should not just be about fostering a high-employment economy but should also aim to deliver social cohesion. • Need to broaden tax base.	• A more ambitious national target relative to employment. • A sub-target be added to the current NRP headline target: To reduce the level of long-term unemployment to 1.3% of the labour force. • A specific sub-target should be developed to address the issue of the working poor: To reduce in-work poverty by making tax credits refundable. • Develop a long-term, sustainable funding strategy for all levels of education. • Invest in universal, quality early childhood education by committing to increasing investment by 0.1 % of GDP annually to meet the OECD average by 2021. • Commit to reaching the lifelong learning target set out in the National Skills Strategy and ensure sufficient resources are made available. • Set a more ambitious national target of 5% for reduction of early school leaving. • Adopt a more ambitious adult literacy target to reduce the proportion of the

Social Justice Ireland (cont.)		population aged 16-64 with restricted literacy to 5% by 2020; and to 3% by 2025. • Adopt a 15% target for participation in lifelong learning. • Reduce by 2020 the consistent poverty rate to 2%; the at-risk-of-poverty rate anchored in time to 8%; and the at-risk-of-poverty (only) rate to 7%. • Make tax credits refundable. • Propose measures that would be introduced to reduce the rate of NPLs without compromising consumer protection. • Establish and resource a forum for dialogue on civil society issues. • Implement the 'The Public Participation Network' framework recommendations for citizen engagement at local level. • Ensure there is real and effective monitoring and impact assessment of policy implementation using an evidence-based approach. • Review ECCE and ACS to ensure they are not being abused.