

# Reboot & Reimagine

July Stimulus Plan

Ibec analysis

July 23<sup>rd</sup> 2020

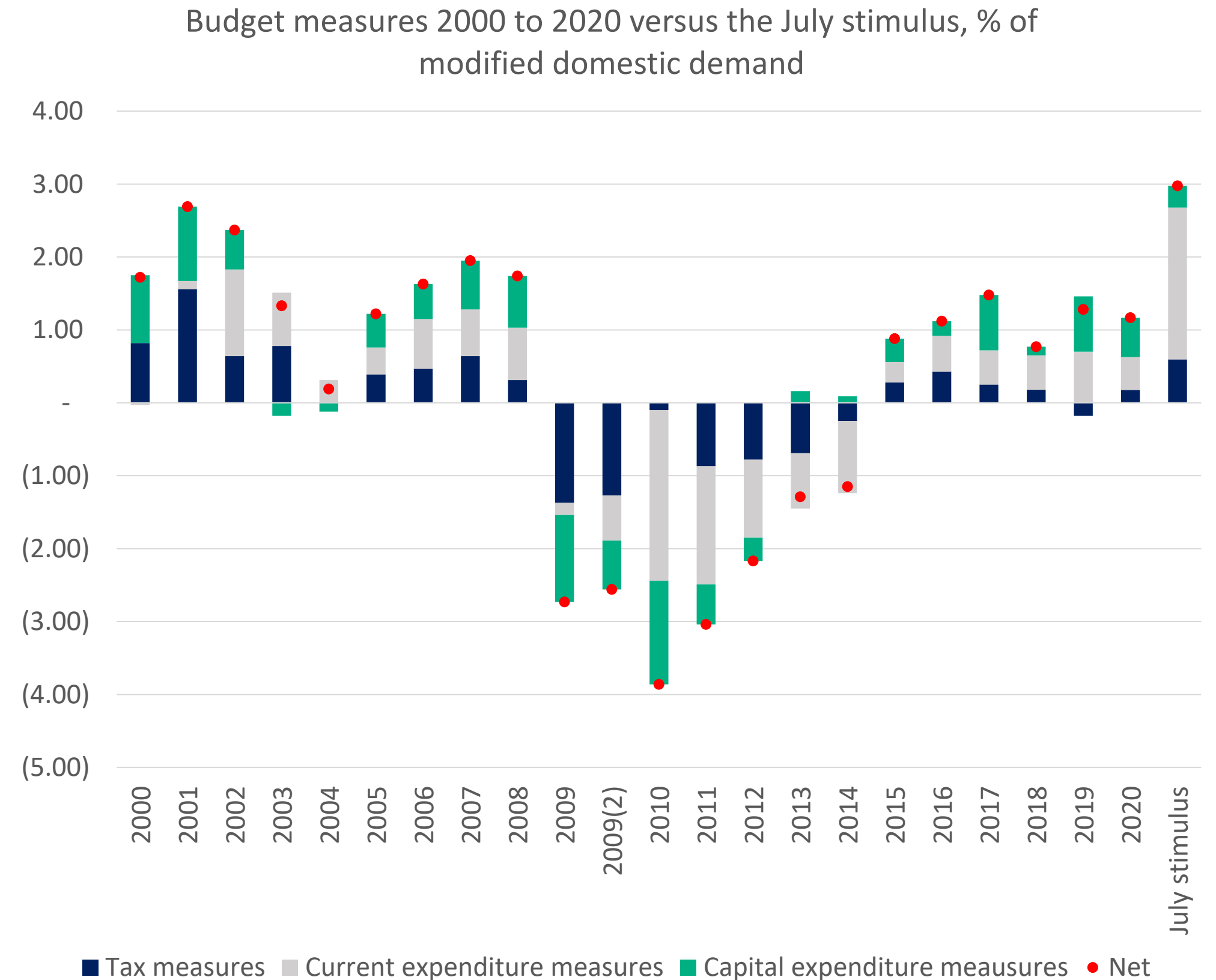


# Key take-aways

- Package is ambitious and comprehensive and at €7.4 bn is the largest single economic stimulus in the history of the State. It is estimated that about two-thirds of the overall package will be spent in 2020, with some measures rolling into 2021
- Government has clearly taken on board the input from business and the package addresses priorities Ibec identified in areas of enterprise liquidity; upskilling and getting people back to work; and infrastructure
- The enterprise supports involve the right mix of lower cost loans, tax measures, grants and employment and training supports
- The continuation and repurposing of the Wage Subsidy Scheme is a significant policy development and will ensure that the economy is much better placed to face future shocks such as a potentially hard Brexit
- Greater focus will also be needed on delivery and administrative channels to ensure that the supports reach businesses as quickly as possible
- The stimulus package on its own will not be sufficient to reboot the economy – more must now be done to ensure the safe return of footfall to our towns and cities. We need greater clarity on return to office work and education and more fully functioning childcare and transport

# Economic impact of stimulus measures

- The July stimulus measures taken as a mini-budget would represent the largest budgetary expansion in recent history.
- The package as a whole contains €1 billion in tax measures, €500 million in capital expenditure, and €4 billion in new current spending.
- About 2/3rds of the spending will take effect in the final five months of 2020, with one third taking place in the first half of 2021.
- Pro-rata by the months of the expansion in late 2020, the measures should add in the region of 9% boost to domestic demand in the second half of the year.



# SME and Liquidity measures

- The Restart Grant for Enterprises is being extended to a broader base of SMEs and expanded by €300 million. The maximum payment level is being increased to €25,000 and the minimum payment level to €4,000. Top-ups will be available to firms who have already received payments under the existing restart grant.
- In addition, new legislation for the €2 billion Credit Guarantee Scheme and €2 billion Revenue Warehousing Scheme will be finalised this week. Both schemes, when in place, will provide significant liquidity to business.
- The commercial rates waiver scheme extended. The six-month credit in lieu of rates will apply to all ratepayers, with limited exceptions, for the period 27 March to 27 September 2020. Details of the scheme will be further developed by the Department of Housing, Planning and Local Government. The Government-backed scheme will cost approximately €600 million.
- The standard rate of VAT was cut by 2 percentage points and a new “Stay and Spend” tax rebate worth up to €125 per person was introduced for domestic Tourism spending between October and April.
- The Future Growth Loan Scheme is being expanded from €200 million to €500 million for SMEs and Mid-Caps. There are a also range of further smaller supports for trading online, micro-enterprises, and innovation available through Enterprise Ireland, Micro-Finance Ireland, the LEOs and the IDA which have received additional funding.
- To provide immediate cash-flow support to previously profitable companies, the early carry back of trading losses will be allowed, leading to an immediate refund of up to 50% of companies’ estimated current year losses.

# Changes to the Wage Subsidy Scheme

- A new Employment Wage Support Scheme (EWSS) will succeed the Temporary Wage Subsidy Scheme at the end of August and run until April 2021. From April 2021 a new short-time work subsidy based on the German Kurzarbeit model will be developed and introduced.
- The new EWSS will be available to employers whose turnover has fallen by 30% or more between July and December of 2020, compared to a year earlier. This threshold may be a source of unintended consequences but is potentially open to change through further legislation or Revenue Guidance.
- The scheme will be open for new hires and seasonal staff, and will pay the employer a maximum of €203 per week for employees earning over €203 per week and €150 per week for those earning below that level.
- The longer time-period of the scheme is welcome and it will cost the State €2.3 billion over the period to April 2021. This scheme will play a vital role in enabling the economy to bounce back, helping vulnerable firms to stay afloat and keep their employees engaged whilst protecting the incomes of individuals.

# Job creation, upskilling and reskilling

- €200m investment in skills development, education and training, job placements schemes and subsidies, all closely aligned with labour market needs.
- Expansion of key industry-led education and training programmes: Skills to Compete, Skillnet Ireland, Springboard+ and Human Capital Initiative funded via employers contribution to National Training Fund.
- €2,000 payment to support employers to take on new apprenticeships in 2020 under the Apprenticeship Incentivisation Scheme.
- Government recognising the need to take a transformative approach to skills, training and lifelong learning.
- Eligibility for JobsPlus recruitment subsidy (€7,500 over 2 years) extended to include those Under 30's on the live register or the Pandemic Unemployment Payment (PUP). This is a significant improvement on the requirement for individuals to be 24 months unemployed and also targets youth unemployment, a particular casualty of the crisis.
- Welcome investment in reimagined activation programmes strongly connected to the labour market including the Back to Work Enterprise Allowance and Back to Education Allowance which will be extended to people in receipt of the PUP, and the provision of 10,000 additional work placement and experience scheme places for those over 6 months unemployed.
- Jobseekers will also be supported by the increase in the capacity of the Public Employment Service through contracted services such as JobPath.

# Infrastructure / regional projects

An accelerated €500m capital works package prioritising shovel-ready projects and investment across the regions.

Ambitious €113m investment package in active mobility, public transport and renewal of transport infrastructure:

- Improving accessibility and pedestrian infrastructure (€40 million)
- Support urban and rural cyclists (€42 million)
- Improving rail journeys (€21 million)
- Adaptation of the road network to protect it in respect of climate change, including repairs to damaged roads as a result of severe weather events. (€10 million)
- New and expanded local bus services (€2 million)
- Support the transition of local link services to zero-emission vehicles in areas of rural Ireland (€0.25 million)

Expansion of the Help to Buy Scheme for new and self-build properties. The maximum amount first-time buyers can claim will be increased to €30,000.

Refurbishment of social housing stock across local authority sector. Target of 2000 units to be completed by end of 2020 at a cost of €30m.

€10m for town and village renewal to support revitalisation and recovery

## Infrastructure / regional projects

- €100m investment in the Energy Efficiency National Retrofit Programme and €10m in fishery and on-farm renewable investment
- Further investment in water infrastructure with an extra €30m allocated for the Irish Water leakage reduction programme. It will lead to activity across all 26 counties addressing leakage, water scarcity and drought
- €75m for minor works for primary and secondary schools to address some of the infrastructure deficits in education
- €24m package to support modernising, leasing and refurbishing Garda HQ and other Garda stations; improving courts facilities and digitalisation; renovating prisons facilities and improving the energy sustainability of State buildings.
- Over €40 million for a range of heritage, arts, tourism and Gaeltacht-related projects
- Commitment to increasing capital expenditure in 2021 to €9.1 billion; an increase of almost €1 billion or 12% on 2020 levels



# About Ibec

We are Ireland's largest lobby group, campaigning for real changes to the policies that matter most to business.

Policy is shaped by our diverse membership, who are home grown, multinational, big and small and employ 70% of the private sector workforce in Ireland.

With 36 trade associations covering a range of industry sectors, 6 offices around Ireland as well as an office in Brussels and connections in the U.K. and Washington, Ibec communicates the Irish business voice to key stakeholders at home and abroad.

We also provide a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.

# Reboot & Reimagine

Ibec's Reboot & Reimagine campaign provides a blueprint for a sustainable future for Ireland addressing the economic and business impact of COVID-19 as well as a plan for achieving a better Ireland by tackling the country's acute and significant challenges.

In developing the over 200 recommendations in Reboot & Reimagine, over 550 CEOs responded to an Ibec survey providing insights on the present and future impact of COVID-19 on the Irish business model.

In addition, businesses of all sizes and activity engaged through the Ibec Board, National Council and policy committees. We also listened to the challenges and opportunities identified by Ibec's 36 Trade Associations, sector by sector, who were actively engaged in the development of this campaign.

More information about the campaign, our events and podcasts is available at [Ibec's website](#).

