

PARTICIPATION, SUSTAINABILITY AND RESILIENCE

Submission to the Department
of the Taoiseach's Consultation
on the National Recovery
and Resilience Plan

February 2021



SIPTU welcomes the opportunity to make this submission to inform the Government's development of the National Recovery and Resilience Plan. This submission seeks to inform the nature of any eventual Fund with four principles:

- Focus capital and reform expenditure in select key sectors to maximise recovery benefit.
- Progressive state intervention in productive business activities.
- Creating socially and environmentally resilient enterprises.
- Privilege the role of stakeholders through sectoral committees.

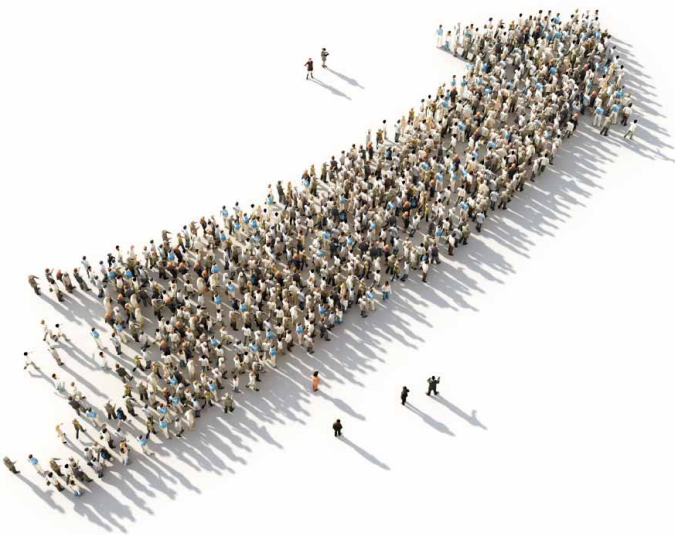
1. Focus Capital and Reform Expenditure

The expected €853 million in grants under the EU's Recovery and Resilience Facility in 2021 and 2022 should be targeted at a few, select activities that can maximise its social, environmental and employment benefit. This benefit can arise in establishing networks, supporting commercial activities, developing human capital through retraining and upskilling and subsidising costs in administrative reform. The selected activities should be capable of achieving a number of objectives.

One example of a key activity that can maximise social, environmental and employment benefit is social, affordable and 'green' housing. It has been clearly established that high housing costs impede economic efficiency and competitiveness, whether that is by diverting expenditure away from the productive economy into rentier activities (e.g. rents, borrowing) or through adding costs to locating investment in Ireland. Social, affordable and 'green' housing provides opportunities to:

- Establish a One-Stop shop network for businesses and households accessing information and certification regarding retro-fits.
- Direct current and new business activity into environmentally sustainable activities.
- Enhance new skills and promote human capital development in the field of green construction.
- Reform and streamline administration to enhance quality output.

Another key activity is transition away from fossil-fuel production. This will need to go beyond the promotion of re-training and re-skilling. Enhancing a region's economic capacity is key to ensuring there is employment for retrained workers to enter (at comparable wage rates), linking employees to employment opportunities (through a Swedish-type Jobs Security Council) and income supports during the transition from employment to another, to ensure no loss of income during the transition phase: ensuring a Just Transition will require a multi-faceted approach that starts with the needs of each employee and community impacted.



2. Progressive state intervention in productive business activities

The economy and the 'investors' (i.e. taxpayers, which means everyone in society) need to ensure a return from state investment and support in the form of direct and indirect grant-funding and subsidies. This should lead, where practicable, to the state taking equity in the firms that benefit from these interventions financed by the Facility funds. This is what happens in normally functioning investor relations.

Taking equity means the State can use the proceeds (either through dividends or down-the-line sale) to off-set the inevitable losses that will be incurred from investments and subsidies to failing or under-performing enterprises. The off-setting returns from successful companies can be recycled into further investment and supports and, so, create a virtuous cycle of investment-return-new investment. The state equity can be managed by the Strategic Investment Fund or some other dedicated public agency.

Further consideration should be given to an activist-shareholder role for the state or relevant Ministers. This would involve the participation of public enterprises/commercial semi-state companies in the Facility funds where commercial opportunities arise in digital and green transition. This can be done through the public enterprise company, or a subsidiary of the company, either on a stand-alone basis or in a joint venture with other private and public enterprises. This should include

the development of local and regional public enterprises that would be initiated by local authorities. For example, we can see how this can work by referring back to the key activities of housing and Just Transition:

- Establishing a capital-seed fund for environmentally-enhanced cost-rental housing, which has the capacity to operate commercially, through a public enterprise or a similar, publicly-accountable commercial body.
- Establishing a Just Transition Enterprise Fund that local authorities or similar local public bodies can access in order to invest in local commercial activities, including establishing local public enterprises - either on a stand-alone basis or in a joint venture with local capital.

This would mean the state, local communities and social constituencies do not become exclusively reliant on incentivising private capital.



3. Creating socially and environmentally resilient enterprises

The Facility funds provide an opportunity to incentivise resilient firms and business activity. This involves privileging enterprises pursuing high-road and sustainable strategies. This is consistent with the investment and corporate strategies that are focusing on Environmental and Social Governance (ESG). There are three practices that should inform incentivising and privileging companies for state investment and support:

- **Social Governance:** Supporting companies that pursue best practice in industrial relations, pay and conditions and employee participation. This would include respecting the decision of employees to bargain collectively, avoidance of precarious contracts, right of trade union access, limiting gender pay-gap and company decision-making processes that include employees in formal programmes.
- **Environmental Governance:** Supporting companies that pursue best environmental practice. Examples: Using energy efficiently (through renewable energy); waste management; building energy efficiency; responsible practices applied across the company's supply chain; disclosure of environmental policy information.
- **Company Governance:** Supporting companies that pursue best practice in company governance. This includes financial and tax transparency, executive compensation (ratio of executive to median pay) and gender pay gap reporting.

In order to drive productivity and innovation across the economy, it is imperative that companies throughout all sectors adopt these principles. The State can provide a 'demonstration effect', or lead by example, by requiring that all companies which are eligible for state investment, grant-aided or public procurement contracts under the Facility funds adhere to these practices. This should be seen as part of a drive to create Next Generation enterprises.

4. The National Economic Plan and Sectoral Committees

SIPTU welcomes the commitments in the Programme for Government to increase the participation of stakeholders in the formulation and implementation of the National Economic Plan; in particular sectoral committees. Such committees offer a concrete structure through which:

- The Social, Environmental and Company governance principles and practices can be applied and monitored in an equitable and inclusive manner.
- The progress and efficient use of the grants, loans and supports for privileged companies can be assessed and tracked at sectoral and enterprise level.
- New proposals and innovations can be shared to the mutual benefit of all stakeholders.

The sectoral committees should be structured along industrial lines; for instance, using NACE sub-categories (e.g. meat processing, land transport, energy utilities, broadband telecommunications, construction sub-sectors, etc.). This would be consistent with the Government's sectoral audits in Focus 2020. Representative stakeholder participation is fundamental to the optimal functioning of these sectoral committees.





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