

# The Challenges Facing the State Post-Pandemic

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# Small Open Economies and Resilience

- “Building economic resilience is not like building a bulwark and then assuming the job is done. There is no one-off solution to the challenge of building resilience. It is a continuous process, involving individuals, households, businesses, institutions and authorities, such as the Central Bank, both at home and abroad.”

Gabriel Makhlouf, Governor of the Central Bank

- What needs to be done for individuals, households, and particularly small and medium-sized businesses now, considering the situation pre-pandemic?

# The Challenges Pre-Pandemic: Low Pay

- High incidence of low pay – 23% of workers in Ireland, 3<sup>rd</sup> highest rate in the EU (Sweeney 2020)
- 23% of wholesale and retail workers and 39% of hospitality workers are low paid – relatively high intensity use of low paid workers
- Inequality rates dependent on redistribution through cash transfers – Ireland an outlier amongst other small open economies and the state having to do more and more work to reduce market inequality rates

# The Cost of Living and Managing Debt

- Pre-pandemic, 22% (or over 1 in 5) of households who are in debt are overburdened by their debt repayments
- Over 36% of single-parent households are overburdened by debt amounts and 32% of low-income households (households whose income levels are in the bottom 40%) are overburdened
- 21% of single-parent households faced utilities arrears and 27% faced mortgage/rental arrears
- 20% of all workers are struggling with debt and half of all workers feel 'a somewhat heavy burden' from debt repayments
- Only 30% of single parent households can save income on a regular basis and 20% of renters who are in the bottom 40% income brackets

(Lajoie 2020 based on EU-Silc data)

# Productivity of SMEs

- SMEs account for an above average percentage of the labour force but below average levels of value added in the EU and OECD

OECD 2019 Report –

Irish SMEs represent 99.8% of enterprises, like the EU-28, but represented 36.6% of value added in 2015 (European Commission, 2018), below EU-28 average of 56.8%

Firms with 10 to 249 employees represent 7% of all enterprises but produce less than 20% of overall output, which is the lowest figure in the OECD and much lower than an SOE like the Netherlands, where similar firms are about 4% of total number but have a value added of above 40%

# The Skills Gap

- SMEs lower productivity due, among other factors, to low levels of digital literacy (unlike other SOEs in the EU like Denmark) and weak management practices
- Specific sectors suffering (e.g. retrofitting and other skills in construction industry)

PIAAC Survey 2012 – Ireland in bottom third of 24 countries for literacy, numeracy and problem-solving technology

National Skills Bulletin 2019 – 11.8% of persons aged 15-64 have less than upper secondary

UNESCO 2019 – participation in adult learning and education lowest from people with less than secondary education (10% of this population); in contrast, 75% of population with third level participate.

The EU Digital Economy and Society Index (2018) - 52% of Ireland's population lack basic digital skills, one of the lowest levels in the EU.

Ireland has one of the lowest shares (79%) of the population using the internet, a figure based on shares increasing more rapidly in other EU countries.

# Building Resilience Post-pandemic

1. Implement standards to improve quality and enable SMEs to compete in Ireland and globally
2. Avoid siloed policymaking to increase effectiveness of lifelong learning and raise investment and open access
3. Invest in local economies, especially linked to climate action
4. Invest in public services and social housing to lower cost of living and support work
5. Protect debate through supporting advocacy/policy critiques
6. Provide coordinated state/CSO debt support and regulate providers