

Irish Enterprise Agency

**REBALANCING IRISH
INDUSTRIAL STRATEGY BY
SUPPORTING & GROWING
INDIGENOUS IRISH
BUSINESSES**



Introduction

Since the implementation of the First Programme for Economic Expansion in 1958, Irish industrial strategy has focused heavily on foreign direct investment and growing our export markets.

The Industrial Development Agency (IDA) has attracted thousands of multinationals to this island since its establishment. This success can be seen in the IDA's results for 2018, which saw 229,057 people employed in the multinational sector, the highest number ever recorded¹.

Enterprise Ireland, the state's other key jobs agency, has also performed very well. This is the state body responsible for the development and growth of Irish exports in world markets. 215,207 people are now employed by Enterprise Ireland client companies, also the highest in the history of this agency².

It's clear these two pillars of the Irish industrial strategy have been very effective. However, the scale of this success, and in particular the multinational strategy, has brought with it new risks. Our open economy is now particularly exposed to any change in global markets and in the international political climate.

The Irish economy is also heavily reliant on a small number of MNCs for a significant portion of the national tax take. In fact, 45% of the total corporation tax take in 2018 came from just 10 companies, while foreign owned multinationals paid 77% of 2018's €10.4 billion corporation tax intake last year.³

This over-reliance on a small number of corporations leaves our public finances very vulnerable, and a sudden change in the international economic or political environment could see these companies re-evaluate their operations here and potentially relocate to other parts of the world.

Wages and productivity are lower for domestic SMEs, and given the concentration of multinationals in Dublin and other large urban centres, this has contributed to a growing regional imbalance in the southern economy.

The focus of state support on the growth of the multinational sector and on export-only businesses has resulted in a vacuum of supports for indigenous Irish businesses. Local Enterprise Offices across the state currently support small businesses with grants and assist entrepreneurs with starting their business; however, the scale and ambition of this agency needs to be increased.



1 <https://www.idaireland.com/newsroom/ida-ireland-2018-results-highest-number-ever-emp>

2 <https://www.enterprise-ireland.com/en/News/PressReleases/2019-Press-Releases/215207-people-now-employed-by-Enterprise-Ireland-supported-companies-highest-in-the-history-of-the-agency.html>

3 <https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2019.pdf>



With this in mind, Sinn Féin are proposing to establish a new Irish Enterprise Agency, which would be focused on scaling existing Irish businesses, and provide a strong agency for non-export focused start-up and established businesses on our main streets.

We believe developing our indigenous businesses supports, in addition to [growing the worker's cooperatives sectors](#) by establishing a Cooperative Development Unit, will benefit Irish businesses and workers and it will provide two new pillars to the state's industrial strategy, providing a more balanced, stable economic model going forward.

Current business state agencies

The current state agencies that support businesses here are Enterprise Ireland, IDA Ireland, Local Enterprise Offices (LEOs), InterTradeIreland and Údarás na Gaeltachta.

These agencies have worked very well to date and have been extremely successful, often exceeding their own job creation targets in recent years.

[IDA Ireland](#) provides extensive advice to government on FDI strategy and they are hugely successful in attracting multinationals to Ireland. IDA client companies now employ 229,057 people⁴.

Equally, [Enterprise Ireland](#) acts as a strong advocate for policies that will benefit Irish exporters and act as a major investor in Irish start-ups. They support business across the state that now employ some 215,207 people⁵.

[Local Enterprise Offices](#) provide training, mentoring and financial assistance to entrepreneurs and small businesses who may want to start, develop or grow their company. The 31 LEOS offices currently support 7,164 businesses around the country, particularly in regional Ireland, that now employ 36,666 workers⁶.



[Údarás na Gaeltachta](#) is the regional authority responsible for the economic, social and cultural development of Gaeltacht regions.



The overall objective of Údarás na Gaeltachta is to ensure that Irish remains the main communal language of the Gaeltacht and is passed on to future generations. Creating jobs in Gaeltacht regions is central to this objective. In 2018 Údarás provided support to companies employing 7,625 people in Gaeltacht regions⁷.

[InterTradeIreland](#) is an all-island cross-border trade and business development body established after the Good Friday Agreement, which provides SMEs across the island of Ireland with sales growth, innovation support, business funding and business insight. Their work is now particularly important given the consequences Brexit will bring.

4 <https://www.idaireland.com/newsroom/ida-ireland-2018-results-highest-number-ever-emp>

5 <https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/Enterprise-Ireland-End-of-Year-Statement-2018.pdf>

6 <https://dbei.gov.ie/en/News-And-Events/Department-News/2019/February/14022019b.html>

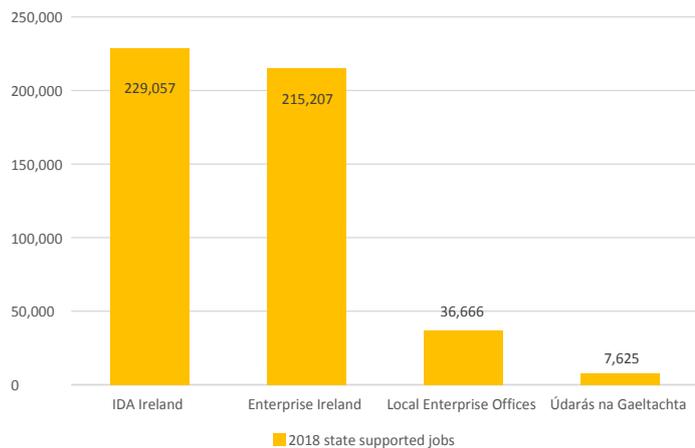
7 <http://www.udaras.ie/en/nuacht/raiteas-deireadh-bliana-2018-foilsithe-ag-udaras-na-gaeltachta/>



However, for those non-FDI, non-exporting companies, located in regions other than the border region or Gaeltacht areas, there is a distinct absence of significant state support.

These entrepreneurs, business owners and workers feel like they have been left behind.

Therefore, Sinn Féin is proposing that the current Local Enterprise Office structure, be transformed into a new Irish Enterprise Agency, with the scale and ambition to assist established Irish businesses and start-ups.



Local Enterprise Office staff have done excellent work to date with the resources they have been given, and we believe an opportunity now exists to build on their experience and knowledge by creating a larger, more ambitious state body focused solely on indigenous Irish businesses.

Our aim is to ensure Irish firms can have access, throughout their development, to support and finance giving them the opportunity to grow, instead of being acquired by a multinational corporation while the business is still in its infancy.

We want to see an agency that will support established retailers on our main streets, develop co-working sites in our town centres to help regenerate them, promote workers’ rights in addition to giving business support, and work with the government to bring forward solutions for existing problems such as high insurance costs, unpredictable commercial rates and access to credit.

Current risks

Ireland’s over-reliance on a small number of multinational corporations for a large portion of our annual tax revenue and GDP growth is now a serious risk to our economy and public finances.

The European Commission has highlighted this concern, noting “Ireland’s economic outlook is subject to significant uncertainties related, inter alia, to changes in the international taxation and trade environment. A large degree of unpredictability remains linked to the activities of multinationals, which could drive headline growth either up or down.”⁸

The size of the impact these companies make on the Irish economy can be seen when Ireland’s GDP (Gross Domestic Product) GNI (Gross National Income) are compared.

Modified GNI is an indicator that is designed to exclude globalisation effects that are disproportionately impacting the measurement of the size of the Irish economy.

8 https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_autumn_081018_ie_en.pdf



In 2019 the Irish Government’s Stability Programme Update recorded the value of Ireland’s GDP as €335 billion. However, the GNI, which weeds out the statistical noise associated with multinationals, puts the value of the Irish economy at €201 billion.⁹

This puts into stark focus the large distortion multinationals are having on the Irish economy and shows the urgent need to grow our indigenous industrial base.

According to the National Competitiveness Council Economic Concentration Bulletin 2018, “CSO data shows that the top five exporters accounted for almost one-third of all goods exports in 2016.”¹⁰

The NCC has also stated “the sustainability of Irish growth is threatened by the reliance of the economy on a small number of highly productive large companies. Many Irish-owned companies export a narrow range of products and services and rely on a small number of export markets. Broadening our enterprise and export base is key to ensuring our economy is resilient and adaptable.”¹¹

Turning to the state’s tax situation, the risks associated with such a focus and reliance on foreign multinationals becomes more evident.

According to the Revenue Commissioner’s Annual Report for 201812;

- Net Corporation Tax receipts in 2018 were valued at €10.4 billion;
- Corporation Tax accounted for 19% of total net receipts in 2018; and ten multinationals pay almost 1 in every 10 euros in total tax collected by the state.
- The largest 100 companies account for over 70% of net corporate tax;
- Net receipts from the 10 largest payers were 45% of CT receipts in 2018, up from 39% in 2017;
- Foreign owned multinationals are responsible for 77% of Irish corporation tax take.

Table 3: Receipts from Top 10 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2009	1,397	27	1,345	35
2010	1,281	26	1,268	32
2011	1,379	30	1,378	39
2012	1,416	30	1,414	34
2013	1,553	31	1,551	36
2014	1,729	33	1,728	37
2015	2,801	37	2,798	41
2016	2,762	33	2,755	37
2017	3,268	35	3,230	39
2018	4,675	41	4,671	45

Source: Revenue

9 <https://assets.gov.ie/8305/88ffede238074f2cb88fc996854a12b3.pdf>

10 <http://www.competitiveness.ie/Publications/2018/Economic-Concentration.pdf>

11 <http://www.competitiveness.ie/Publications/2018/Economic-Concentration.pdf>

12 <https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2019.pdf>



These figures show that the state’s corporation tax take remains highly concentrated in just a handful of companies. More worryingly, the percentage of net receipts from the top 10 companies has increased from 35% to 45% in the past nine years, highlighting a growing reliance on this volatile source of income.

The Irish Fiscal Advisory Council’s Fiscal Assessment Report 2019 states “that some €3 billion to €6 billion of the €10.4 billion corporate tax receipts received in 2018, could be considered excess (in other words, beyond what would be projected based on the economy’s underlying performance and based on historical/international norms). Unlike typical revenue windfalls, these gains might persist for a number of years before reversals could be expected.”¹³

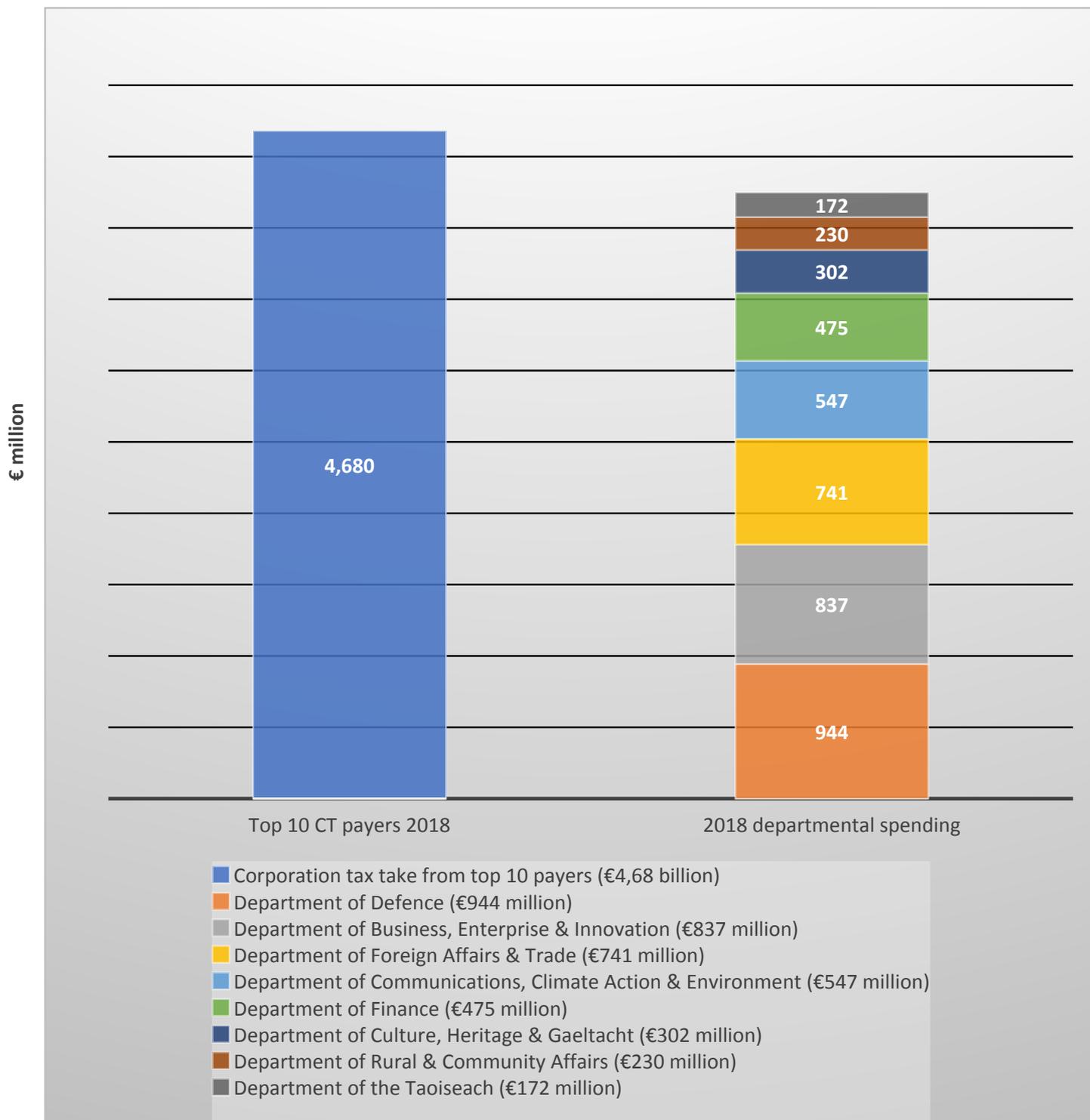
The fact that over three-quarters of CT originates from foreign owned multinationals is of major concern, as these companies are traditionally more mobile than indigenous businesses, and can move or scale back their operations here suddenly, depending on where the best incentives become available internationally.

€4.68 billion was paid in corporation tax by just 10 companies last year.

This means in 2018, tax income from just 10 companies essentially funded the Departments of Finance, Defence, Taoiseach, Foreign Affairs and Trade, Rural and Community Affairs, Culture Heritage and the Gaeltacht, Business, Enterprise and Innovation, Communications, Climate Action and Environment, combined. This is not sustainable.

This data shows the urgent need to rebalancing Ireland’s industrial strategy, to support & grow indigenous Irish businesses, that can lead to a more stable, reliable source of corporation tax.

13 <https://www.fiscalcouncil.ie/wp-content/uploads/2019/06/Full-Draft-Fiscal-Assessment-Report-June-2019..pdf>

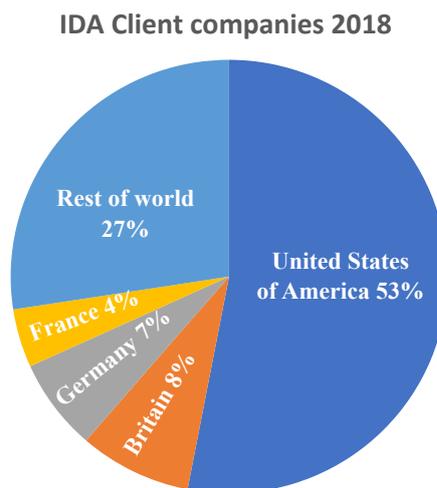




Concentration of US FDI firms

A large portion of the multinational companies who have set up operations here originate from a just a handful of countries.

Of the 1,444 IDA supported companies currently here, 766 are American, accounting for over 53% of all IDA supported firms. In fact, over 72% of all IDA companies come from just four countries.¹⁴



This high concentration from the United States, 766, is in stark contrast to the representation from other parts of the globe, with just 7 companies originating from the entire continent of Africa, and only 2 companies, out of 1,444, are South American.

Two of the most populous countries on the planet have a poor representation of FDI companies in Ireland. There are just 28 Chinese companies and 25 Indian firms supported by the IDA here, despite these country’s populations accounting for some 2.5 billion of the world’s population.

Ireland has of course very strong ties with the United States, and US investment here is and has been incredibly important, but having such a high concentration of companies originating from one state is a cause for concern.

This level of concentration leaves our economy exposed to political or economic changes in the country of origin of these companies. For example, should a dramatic shift in tax arrangements occur in any one particular country this could have a dramatic impact on current MNCs located here.



We need to accelerate the diversification of the countries of origin of FDI companies locating here, particularly in Africa, Asia, and South America, in conjunction with building up our indigenous companies, to insulate against major changes taking place in other countries.

Although Foreign Direct Investment is very important, it is imperative to have a strong indigenous base to provide balance in our economy. A new Irish Enterprise Agency can lead this charge.

14 PQ [20165/19]

Irish Enterprise Agency

Last year 254,929 SMEs were operating in the south of Ireland, employing some 984,762 people and contributing €82.6 billion to the economy.¹⁵

As the engine of the Irish economy, we believe SMEs need a strong state agency advocating for them and providing support to sustain and grow our indigenous enterprise sector.

A new Irish Enterprise Agency would incorporate the existing 31 individual Local Enterprise Offices located nationwide, and would see a national headquarters, board and executive committee established. This head office would initially be provided with 100 additional staff and would coordinate activities across the 31 regional offices.



This new organisation would provide the government with advice and guidance on what SMEs, retailers and other enterprises want to help them grow their businesses. This agency would ensure the uptake of state supports and assistance being provided is of an equal standard and quality across the state.

We would provide the IEA with an initial seed capital fund of €10,000,000. Equipped with similar lending and equity powers such as those currently used by Enterprise Ireland, this would allow the new agency to take an equity stake in a start-up or existing business in exchange for investment.

These investments could provide stability to businesses, protecting jobs, allow businesses to scale, and in return, profitable dividends would be returned to the IEA and to the state for further investment.

An increase in personnel for this new organisation around the country would also include 100 mobile business advisors who would travel to businesses and provide advice on business plans, grants, investment and strategies, on site.



This is in recognition of the reality that many business owners and entrepreneurs do not have the resources to take time off to visit the LEO premises to get advice. This important change would see the assistance and expertise being brought directly to them.

Instead of just offering signposting to other state agencies, this new organisation will act as a one stop shop for start-ups and established businesses, providing expert advice, access to financial

¹⁵ https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en#sba-fact-sheets



supports and collect data on what changes are needed at a national level to help support our indigenous SME sector.

This agency would work in close cooperation with the Co-Operative Development Unit, which would be re-established under proposals included in Sinn Féin's [Worker's Co-operative Policy](#), to increase the number of co-ops in Ireland.

This new business agency would not just be focused on Irish SMEs or start-ups, but also bigger established Irish companies who need additional assistance in growing their business. This could include support for relocating part of their operations to other parts of the island that traditionally struggle to attract jobs and investment or provide support for indigenous companies to avail of current R&D tax credits.

This would be in line with Sinn Féin's previously announced policies on a simplified process for SMEs to access R&D tax credits, and increasing the R&D tax credit to 30% for SMEs and lowering the cap for other businesses to 20%.

This new agency would also be given funding to develop co-working space in our regional town centres, to provide space for those workers who wish to work from their own communities and give entrepreneurs affordable space to build their business from. Acquiring and developing space in town centres would also tie in with our plans to regenerate and promote town centre living and working.

Developing and extending the rights of workers in indigenous businesses would also be a key focus of the new agency.

In addition to helping business owners grow their enterprise, business advisors would guide and help owners to improve pay and conditions for their staff.

Good relations between management and employees, low staff turnover and positive employee morale are key to building a successful company.

A company would also be expected to show all employees have good pay and fair working conditions, including no gender pay gap existing, to be eligible for any state financial support.



Proposed budget

Local Enterprise Offices currently employ 199 people and the organisation has a budget for 2019 of €27,500,000¹⁶.

As we are proposing to use the current Local Enterprise Office structure, we would allocate an additional €35 million for this agency in the first year, giving it a budget of €62,500,000¹⁷.

We would also double the number of current employees, to 400¹⁸.

PROPOSED BUDGET BREAKDOWN	
Current LEO budget (2019)	€27,500,000
100 new business advisors	€5,000,000
100 staff for national office	€7,500,000
Seed capital fund	€10,000,000
Business parks development	€10,000,000
Establishment costs	€2,500,000
Total budget of new agency	€62,500,000
Additional funding required	€35,000,000

Getting more jobs to regional Ireland

In addition to our policy on promoting remote working, which aims to give more employees the option to work from their own communities, Sinn Féin also want to see more companies set up operations and expand in regional Ireland.

Unfortunately, at the moment some counties suffer from very small levels of indigenous or foreign direct investment. Analysing the IDA’s job creation numbers for 2018, it is clear the geographic disparity of job creation in regional Ireland remains a problem.



Laos for example, is home to just 122 IDA backed jobs, 0.05% of the total IDA backed portfolio of jobs.

16 PQs [19341/19] & [19342/19]

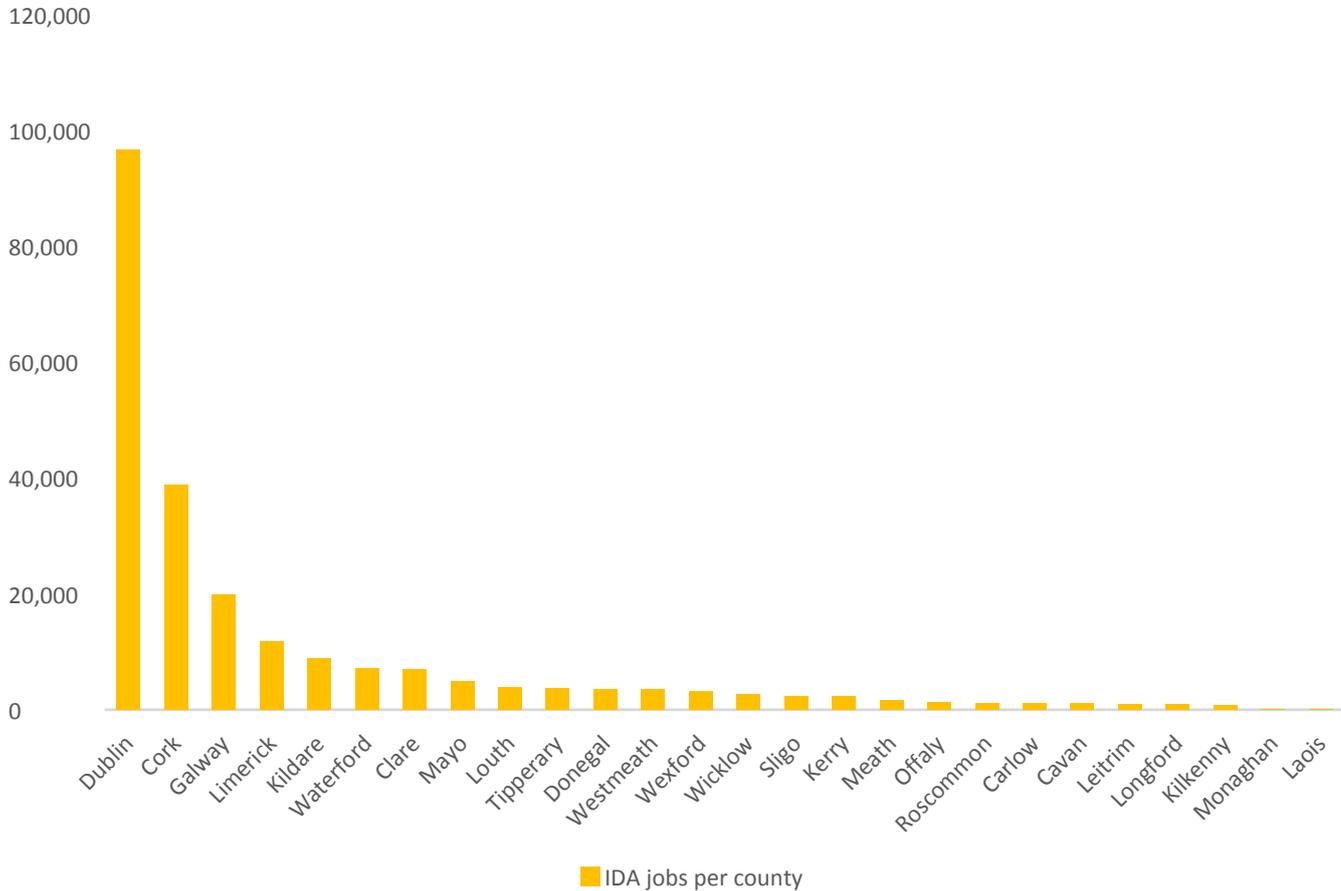
17 Including current €27,500,000 budget allocation

18 Including current 199 staff



Monaghan is not far behind, hosting just 0.07% of FDI jobs in Ireland. Dublin on the other hand, is home to over 42% of all FDI jobs in Ireland.

IDA jobs per county 2018



When the population of each county is considered, the chances of a person in the regions working for an FDI company becomes apparent.

In 2018 there were 229,057 IDA supported jobs across 26 counties, while the population stood at 4,761,865 according to data from the latest Census.¹⁹ This means that on average there is 1 IDA supported job for every 21 citizens.

However, this ratio varies significantly depending on where you live in the state. Galway tops the list for most IDA jobs per capita, with 1 job for every 13 people, closely followed by Dublin and Cork with a ratio of 1 IDA job for every 14 people.

¹⁹ <https://www.cso.ie/en/media/csoie/newsevents/documents/census2016summaryresultspart1/Census2016SummaryPart1.pdf>



Those living in Monaghan are at the other end of the scale with only 1 job for every 379 people, with people in Laois the most unlikely to work for an IDA backed company, with only 1 FDI job for every 694 citizens.

Meath, despite its proximity to Dublin, also fares very poorly, with 119 people per FDI job, the fourth worst rate in the State.

County	Population (2016) ²⁰	IDA jobs 2018 ²¹	Ratio
CARLOW	56,932	1,150	50-1
CAVAN	76,176	1,096	70-1
CLARE	118,817	6,948	17-1
CORK	542,868	38,867	14-1
DONEGAL	159,192	3,564	45-1
DUBLIN	1,347,359	96,760	14-1
GALWAY	258,058	19,969	13-1
KERRY	147,707	2,241	66-1
KILDARE	222,504	8,838	25-1
KILKENNY	99,232	711	140-1
LAOIS	84,697	122	694-1
LEITRIM	32,044	909	35-1
LIMERICK	194,899	11,796	17-1
LONGFORD	40,873	900	45-1
LOUTH	128,884	3,903	33-1
MAYO	130,507	4,828	27-1
MEATH	195,044	1,632	119-1
MONAGHAN	61,386	162	379-1
OFFALY	77,961	1,232	63-1
ROSCOMMON	64,544	1,171	55-1
SLIGO	65,535	2,251	29-1
TIPPERARY	159,553	3,720	43-1
WATERFORD	116,176	7,064	16-1
WESTMEATH	88,770	3,466	26-1
WEXFORD	149,722	3,139	48-1
WICKLOW	142,425	2,618	54-1
	4,761,865	229,057	21-1

20 [https://www.cso.ie/px/pxeirestat/Statire/SelectOut/PxSort.asp?file=2019429123231947355EY001&PLanguage=0&MainTable=EY001&MainTablePretext=Population%20at%20Each%20Census%20from%201841%20to%202016%20\(Number\)&potsize=26](https://www.cso.ie/px/pxeirestat/Statire/SelectOut/PxSort.asp?file=2019429123231947355EY001&PLanguage=0&MainTable=EY001&MainTablePretext=Population%20at%20Each%20Census%20from%201841%20to%202016%20(Number)&potsize=26)

21 [PQ \[19072/19\]](#)



The capital has now become unaffordable to live in and gridlocked with traffic, so it is essential to focus on locating more jobs across the island.

It is of course a company's choice where to locate their operations, but new incentives should be examined to encourage companies to locate in counties with fewest FDI jobs, ensuring fair opportunities for all to work with these companies.

We believe this new proposed agency, could over time, acquire and develop town centre locations and small business parks in rural parts of Ireland that suffer from underinvestment and higher rates of unemployment.

This would be similar to the IDA's industrial parks for multinationals around the country. The new agency could offer competitive lease arrangements to attract indigenous Irish companies to set up some or all, of their operations in these underdeveloped areas and in our town centres.

€10,000,000 would be provided in year one to begin this development.

Conclusion

It's abundantly clear the risks associated with Ireland's current over-reliance on a handful of major corporations needs to be addressed as a matter of urgency.

While Sinn Féin is supportive of maintaining foreign direct investment and export led growth as key pillars of our industrial strategy, it is imperative we grow our indigenous and co-operative sectors to provide balance to our economy and to our public finances.

Irish businesses and entrepreneurs also need more support from the state to help them scale and grow. SMEs are the engine of the Irish economy, and they need to be treated as such. Small business owners and entrepreneurs should no longer feel like they have been left behind when it comes to state support.

Regional Ireland cannot be left behind any longer when it comes to having high quality jobs, and this new organisation could deliver locations in regional Ireland for indigenous companies and create remote working spaces to allow employees work from their own communities if they wish.

With workers' rights at the fore of the new agency, the IEA can work with companies to help them deliver excellent pay and conditions for their workers, in addition to business support and finance.

We believe by transforming the current Local Enterprise Structure into a larger, more ambitious state agency, the Irish Enterprise Agency, could deliver strong benefits to indigenous businesses, workers and the state.

Sinn Féin is committed to delivering high quality jobs to regional Ireland, growing our co-operative sector and bringing balance to our industrial strategy by supporting entrepreneurs and growing indigenous Irish businesses.

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