

Chapter 28

Employment Support and Enterprise Stabilisation

Employment Support and Enterprise Stabilisation

28.1 The State implemented a set of measures from 2009 onwards to support business and employment during the financial downturn. The overall objectives of the measures were to support the maintenance of existing jobs and stabilise enterprises. The measures included

- a temporary Employment Subsidy Scheme (ESS) – to help maintain vulnerable jobs and productive capacity
- an Enterprise Stabilisation Fund (ESF) – to assist vulnerable but viable internationally trading companies to survive the economic downturn with the aid of equity investment and market development grants.

28.2 As well as the above two initiatives, other related interventions included

- the requirement as part of the Bank Recapitalisation Scheme for the Bank of Ireland and Allied Irish Banks Plc to make available more than €3 billion in new lending to small and medium enterprises in 2010 and 2011
- a Credit Supply Clearing Group with bank, business and State representation set up with responsibility for identifying patterns of events where the flow of credit to viable businesses appeared to be blocked and the establishment of a Credit Review Office to provide independent, external review of decisions of credit refusal by banks.

28.3 Related initiatives that do not fall within the scope of this report included

- an Employer Job Incentive Scheme under which an employer who created a new job and employed a person who has been unemployed for six months or more, was fully exempt from the liability to pay employer PRSI for the first year of that employment
- arrangements to reduce the payment period by central government departments to their business suppliers from 30 to 15 calendar days to improve cash flow for enterprises.

Chapter Focus

This chapter examines the outturn of

- the Employment Subsidy Scheme and
- the Enterprise Stabilisation Fund.

28.4 The ESF was introduced in April 2009 and the ESS in August 2009. They both operated in accordance with an approved Irish Scheme under the Temporary Framework for State aid, initiated by the European Commission on 17 December 2008. The Temporary Framework enabled EU Member States to provide businesses with improved access to finance to combat the effects of the financial and economic crisis²³⁸. Both the ESS and ESF were managed and administered by Enterprise Ireland on behalf of the Department²³⁹. The funds were provided from the Vote for Enterprise, Trade and Innovation.

²³⁸ The Commission approved Ireland's application to provide State aid in April 2009.

²³⁹ The legal basis for the operation of the schemes is the IDA Ireland and Enterprise Ireland: Industrial Development Acts 1986-2006, Údarás na Gaeltachta Acts 1979-1999 and Shannon Free Airport Development Company Limited Act 1959, as amended.

Employment Subsidy Scheme

28.5 The objective of the ESS was to assist employers, who were under particular pressure as a result of the global economic crisis to retain the labour, knowledge and skills of their workforce and thereby support a faster return to sustainable growth.

28.6 The ESS entailed the payment of a subsidy to qualifying companies²⁴⁰ who retained an agreed number of jobs until 30 November 2010. The amounts allocated and payments made under the scheme for the years 2009 to 2011 are set out in Figure 128.

Figure 128 Employment Subsidy Scheme Financial Outturn 2009 – 2011^a

Year	2009 €m	2010 €m	2011 €m	Total €m
Department allocation	18.2	93.4	4.2	115.8
ESS grants paid ^b	18.2	95.7	2.1	116.0

Source: Enterprise Ireland

Notes: a While the ESS ended in 2010, Enterprise Ireland paid claim applications up to March 2011 in cases where full supporting claim documentation was not received until after the closing date.

b The excess over allocation was met from Enterprise Ireland's operational budget.

28.7 The amount of funding available under the ESS scheme was cash limited. Allocation was based on a competitive process with subsidies being paid to companies that achieved the highest score in the assessment process until available funding was exhausted.

Scheme Eligibility Criteria

The principal eligibility criteria were

- The company had to employ ten or more full time employees in Ireland at the date of application.^a
- It had to have export sales comprising at least 30% of turnover and be engaged in manufacturing or internationally traded services.^b
- Companies should not have been in difficulty on 1 July 2008, but were facing significant difficulties as a result of the global and financial economic crisis.
- The companies would be considering redundancies at the point of application.
- They were required to commit to maintaining a number of full time jobs until November 2010.
- They had to be in a position to demonstrate that the company had sufficient cash, taking into account the employment subsidy to trade up to 31 December 2010 and beyond.
- They had to be judged to have sound, robust and sustainable business models and business plans that were financially viable in the medium term and assessed as capable of growth in a global upturn.

Notes: a This was expanded in a second call for applications to include part time employees.

b This was expanded in a second call for applications to include non-exporting companies in all sectors.

²⁴⁰ In this report, companies include incorporated entities, sole traders and partnerships.

28.8 There were two calls for applications under the scheme. The first call for applications was made in August 2009 focusing on the client base of the development agencies²⁴¹ (internationally traded services and manufacturing companies) and was under-subscribed. 621 applications²⁴² were made.

28.9 The export eligibility criterion was challenged by the European Commission who maintained that the provision could be regarded as constituting an export subsidy for Member States which was not intended. Following dialogue with the Commission the restriction of eligibility to exporting companies was removed and a second call was made in December 2009 which extended the scheme to non-exporting companies in all sectors. The widening of the eligibility criteria resulted in 2,590 further applications²⁴³.

28.10 The scheme entailed the payment of a subsidy of €9,100 per annum towards full time employees (working an average of 35 hours or more per week) or €6,370 for part time employees (working an average of 21 hours or more per week) up to a maximum of €500,000 per company. Initially, there was no restriction for persons not directly employed by an applicant (such as agency or contract workers) in the first call but a restriction was imposed in the second call when the scheme was opened up to non-export companies.

28.11 Companies declared, at the time of application, the number of employees that were at risk of being made redundant and employee subsidies could not exceed this number. The number of potential jobs at risk was also taken into account when assessors determined a company's viability in the medium term.

28.12 As part of the scheme, employers committed to retain a defined number of jobs for each job subsidised. Overall, the State subsidised 14,124 jobs at a cost of €16 million. This led to a commitment to retain those jobs and an additional 79,234 (a total of 93,358). The subsidies were paid to 1,521 companies where 34,681 jobs were declared to be at risk, 14,409 in the first call and 20,272 in the second call. Figure 129 shows grant payments made for the number of jobs that were subsidised under the scheme and the number of jobs that companies' committed to retain.

Figure 129 Subsidised and Committed Jobs

	Full-time	Part-time
Subsidised jobs		
Call 1	7,080	—
Call 2	5,399	1,645
Committed jobs^a		
Call 1	33,791	—
Call 2	47,903	11,664
Projected Retention Ratio^b		
Call 1	1:4	—
Call 2	1:8	1:6

Source: Enterprise Ireland

Notes: a The committed jobs figure also includes the subsidised jobs figure.

b This ratio is the number of subsidised jobs as a proportion of committed jobs.

²⁴¹ Development agencies comprises Enterprise Ireland, IDA Ireland, Údarás na Gaeltachta and Shannon Development.

²⁴² 453 of these were approved for funding.

²⁴³ 1,178 of these were approved for funding.

28.13 The average amount of subsidy paid in the first call was €41,000 - more than 2.5 times that for the second call. The average number of subsidised jobs per company was 16 for the first call, at an average cost of €8,700 per job compared to seven at an average cost of €7,700 per job for the second. Ultimately, 3,200 entities sought assistance. Figure 130 sets out a comparison between the application and payment stages.

Figure 130 Average Subsidy Paid

	Number	Amount €000	Average €000
Applicants	3,211	236,809	73.7
Payments	1,521	115,994	76.3

Source: Enterprise Ireland

28.14 Less than 50% of applicants received grant payments. The primary reasons that applicants were not approved for funding was because their application was missing one or more of the mandatory financial documents, exports were below 30% for the first call or in the case of the second call the funding was exhausted.

28.15 In accordance with the terms of the Letter of Offer to qualifying companies, grants were payable only on foot of receipt by Enterprise Ireland of a company director's statement on job numbers, an independent accountant's report to supplement the claim and a valid tax clearance certificate.

28.16 A total of 20 companies in the first call were paid the maximum grant of €500,000 compared to four companies receiving similar payments in the second call.

28.17 In the case of those companies that received payments, the number of jobs committed and the number of jobs subsidised across the various sectors is outlined in Figure 131.

Figure 131 Committed and Subsidised Jobs^a

Sector ^b	No. of companies	Paid €000	Jobs committed	Jobs subsidised
Manufacturing	496	52,539	32,635	6,188
Wholesale and retail trade	363	19,280	18,642	2,394
Real estate, renting and business activities	212	16,432	14,121	1,954
Hotels and restaurants	144	6,376	8,766	902
Construction	93	4,282	4,600	630
Transport, storage and communication	66	4,141	4,163	501
Financial intermediation	25	3,073	1,894	361
Other	122	9,871	8,537	1,194
Total	1,521	115,994	93,358	14,124

Notes: a The jobs committed total includes 11,664 part-time jobs. The jobs subsidised includes 1,645 part-time jobs.

b The allocation to sectors is based on NACE codes which are used in the European Union to classify economic activities for statistical purposes. The NACE code assigned to each company is based on its primary economic activity.

Impact of the Scheme

28.18 The impact of the scheme can be gauged by the extent to which qualifying companies retained employee numbers sufficient to allow for the drawdown of funds²⁴⁴.

28.19 An analysis of final claim payments against approved companies showed that, in the first call for applications, 60 out of 453 companies (13%) approved for funding did not receive this payment. This outcome signifies that this group was unable to retain the full 3,317 jobs they had committed to.

28.20 In the second call, 248 out of 1,178 companies (21%) approved for funding did not receive a final claim payment. This group had committed to retaining 14,761 jobs.

28.21 It was not practicable to determine to what extent the numbers retained fell short of those committed, as companies that did not qualify for a final grant payment were not required to submit information on job numbers.

28.22 Overall, based on the extent to which companies qualified for final payments made, around 19% of the assisted companies were unable to retain the full level of jobs they had committed to.

Administration of the ESS

28.23 The application assessment process involved the following steps

- All applications meeting the eligibility criteria were subjected to a desk-based assessment²⁴⁵ and marks were awarded for the credibility of each company's restructuring plans.
- Assessors subjectively awarded marks on the potential future viability of the company based on projected cashflows and other financial information submitted.
- Marks were also awarded taking account of the ratio of job subsidies applied for against the level of employees each company committed to retain.

28.24 Applications that were recommended for funding by the assessors were submitted for approval to an Employment Subsidy Committee²⁴⁶.

28.25 Enterprise Ireland commissioned an audit report by Deloitte in March 2010 on ESS assessment procedures. It found that no formal guidance had been set down by Enterprise Ireland in relation to the review of financial information submitted by the applicant to determine if they were in financial difficulty and therefore eligible for support. The report concluded that it was unable to ascertain whether a formal financial assessment had been carried out to determine the eligibility of applications in all cases.

²⁴⁴ A company that failed to retain the number of committed employees was not paid for that particular period (but could be paid for the next period provided employment rose to the committed level).

²⁴⁵ The assessment team for Call 1 consisted of representatives from Enterprise Ireland, IDA Ireland, Údarás na Gaeltachta and Shannon Development. The assessment team for Call 2 was outsourced to a firm of Chartered Accountants.

²⁴⁶ This was a multi-agency committee of representatives from the Department, Enterprise Ireland, IDA Ireland, Údarás na Gaeltachta, Shannon Development and members of the private sector.

28.26 Grants were payable for 13-week claim periods and were paid in arrears if companies maintained the committed number of employees over the claim period and met the conditions set out in the Letter of Offer. Enterprise Ireland relied upon a company director's statement and an accountant's certificate²⁴⁷ for confirmation that employees worked the requisite hours during the claim period.

28.27 A number of instances of incorrect claiming came to light subsequent to payment

- In one case, a claim for €57,200 was paid out before the fact that erroneous employee information had been submitted was detected.
- Another company's claim was based on an incorrect calculation method which was not detected before a payment of €6,700 was made. The company has made a full repayment.
- In a further case, Enterprise Ireland paid €39,000 to an ineligible company. The company was put into receivership after payment was made and Enterprise Ireland's claim for repayment is now with the receiver.

28.28 Enterprise Ireland state that it is normal practice in short, defined, large volume schemes such as the ESS, to complete the scheme before spot-checking is carried out. Enterprise Ireland has commenced an audit of claim payments on a sample basis by inspection of records in the companies' premises and propose to complete the audit in the latter half of 2011.

28.29 In reviewing the extent of job retention, the review by my Office found that insufficient detail was captured about the specific business units that sought the assistance. It became apparent when the review sought to cross check employment levels with the information on Forfás annual employment surveys²⁴⁸ that the scheme information could not be reconciled with the surveys. This was because the specific business units for which ESS had been sought and approved could not be identified in the case of companies that operated within a group. Any follow up audits by Enterprise Ireland should seek to identify the specific business units in the applications and cross reference the employment levels with the Forfás survey results for those specific business units.

28.30 The cost of advertising the scheme was €135,000. Costs of administrative assistance amounted to €497,000. This was made up of

- €243,000 for an outsourced assessment team
- €71,000 for the provision of a call centre
- €39,000 for an external assessment team to review unsuccessful applications where requested
- €16,000 for the services of an independent score reviewer
- €128,000 for temporary contract staff employed for second call.

²⁴⁷ The work of the reporting accountants was undertaken in accordance with Miscellaneous Technical Statement M45 – 'Grant Claims' and consisted of procedures agreed by Enterprise Ireland with the Institute of Chartered Accountants in Ireland.

²⁴⁸ Forfás carries out an annual census of employment levels as at 31 October in all manufacturing and services companies supported by the enterprise development agencies.

Conclusion - ESS

The scheme was an emergency response designed to help maintain productive capacity and employment. In design, it only subsidised jobs that were claimed to be at risk of redundancy and the assistance was only payable in instances where a defined number of other jobs were to be retained.

Based on the extent to which companies qualified for final payments, around one-fifth of assisted companies did not manage to retain all of the jobs they committed to.

In the case of those companies that maintained the committed jobs, the retention target had been set at 85% of their employment levels. This leads to an inevitable risk of deadweight i.e. paying for jobs that would have been retained in any event.

The specific business units for which ESS had been sought and approved could not be identified in the case of companies that operated within a group. This became apparent when the review sought to cross check scheme employment levels with the information on Forfás annual employment surveys. It is important in schemes such as the ESS that the specific business units and populations of workers be identified. The absence of this level of detail has implications for the capacity of the State agencies to evaluate the impact of the spending and reduces the quality of the vouching that supports the expenditure.

An audit report on the scheme conducted on behalf of Enterprise Ireland by Deloitte found that there was limited information on the assessment of each assisted entity's financial status with the result that a key eligibility criterion was not fully evidenced. Enterprise Ireland has stated that the scheme was set up on the basis that sampling of compliance would be post hoc. To that extent, the payments may be subject to adjustment.

Enterprise Stabilisation Fund

28.31 The Department provided ESF funding of €78 million to Enterprise Ireland in respect of this scheme. ESF assistance was made available principally by way of an equity share investment. Ultimately, payments amounted to over €80 million which included €3.3 million by way of Market Development Grants. The amounts allocated and payments made for the years 2009 to 2011 are set out in Figure 132.

Figure 132 Enterprise Stabilisation Fund - Financial Outturn 2009 – 2011^a

Year	2009 €m	2010 €m	2011 €m	Total €m
Department allocation ^b	58.0	20.0	—	78.0
Financial assistance				
ESF main scheme	56.9	19.1	1.0	77.0
Market development grants	0.8	2.4	0.1	3.3
Total assistance	57.7	21.5	1.1	80.3

Source: Enterprise Ireland

Notes: a While the ESF ended at 31 December 2010, in certain cases payments were made in 2011.

b The Department allocation of €78 million is an indicative amount within the overall Grants to Industry budget. This includes an amount for €5 million reallocated for a market development grant scheme.

28.32 By comparison with ESS, the ESF was a non-competitive fund advertised on the Enterprise Ireland website and the application process for funding was initiated either by enquiry by the client or direct contact by a Development Adviser²⁴⁹ in Enterprise Ireland. The eligibility criteria was broadly similar to ESS Call 1 and the scheme was focused on internationally trading companies.

28.33 Following an initial assessment of a company's viability by the Development Adviser and after discussions with the client, the applicant company submitted a business strategy and a proposed development plan together with audited financial statements and financial projections.

28.34 The assessment process for ESF applications included a commercial assessment by the applicant company's Development Adviser. An Investment Adviser also conducted an independent commercial evaluation which involved financial ratio and trend analysis on data submitted on the application form and meetings with the company's bank and investors. Both the Development Adviser and Investment Adviser submitted independent reports to an Investment Committee²⁵⁰ for consideration and approval of the proposed equity investment. The Investment Committee reviewed each company's financial track record and the proposed funding (in particular the tripartite agreement between the company, Enterprise Ireland and the company's bank) before approving or rejecting the equity investment.

Investment Committee Review

The Investment Committee assessed company investment submissions with a particular emphasis on

- the company's trading potential, growth and sustainability and competitive position and the expected impact of the company's business plan on the company's productivity and output
- the expected impact on providing new employment or maintaining existing employment
- financial track record and proposed funding and in particular the commitment of the company's bankers and the justification of the company's need for financial assistance.

28.35 Enterprise Ireland did not set specific financial benchmarks to be attained before a company was approved for funding but it stated that it took account of all financial and other relevant information known about the company and the sector in which it operated. All applications passed Investment Committee approval stage except one.

²⁴⁹ Development Advisers are assigned to each company as the dedicated point-of-contact for engaging with Enterprise Ireland and for reviewing the company's business and development strategy and conducting on-site visits.

²⁵⁰ The Investment Committee consists of representatives from the Department, Enterprise Ireland, Agriculture and external consultants from the wider business community.

Market Development Initiative

28.36 As part of the overall Enterprise Stabilisation measures, Enterprise Ireland operated a market development grant for companies from August 2009 onwards. The grants were aimed at companies that had at least ten employees in the professional services sector of the construction industry including architects, quantity surveyors and engineers. These sectors had been severely hit by the downturn in the domestic market and had experienced very significant drops in turnover and employment.

28.37 Part of the original ESF allocation was devoted to assisting companies to develop a market entry and development strategy for up to three new overseas markets. Non-repayable grant aid, representing 4% of total ESF funding expended, was provided towards the costs of investigating overseas markets up to a maximum of €350,000 per company. Market development grants paid to 17 companies from 2009 to 2011 amounted to €3.3 million.

28.38 The objective for this scheme which focused on construction related professional services was to

- increase the number of those companies trading internationally
- increase the level of sustainable international trading activity
- sustain employment and value added in Ireland²⁵¹.

28.39 Figure 133 shows the category and number of professional services for each of the new overseas markets that the grants were provided for

Figure 133 Categories of Market Development Grants^a

Category	No.	Overseas markets	Grant payments €000
Architecture	7	UK, China, Portugal, Russia, Montenegro, Middle East, Canada, Spain, Morocco, Tenerife, Poland, India, Libya, Algeria, Europe, North Africa, Germany, Romania, UAE, South America	1,388
Consulting Engineering	5	UK, Middle East, North Africa, Poland, Russia, Romania, Abu Dhabi, Libya, Costa Rica, UAE, Qatar, Bahrain, Saudi Arabia, Eastern Europe	1,013
Consulting Building Services and Mechanical, Electrical and Project Management Consultancy	5	UK, Poland, Romania, Bulgaria, UAE, Libya, Algeria, Saudi Arabia, Middle East, France.	850
Total	17		3,251

Source: Enterprise Ireland

Note: a Expenditure on market development grants covered the preparation of costing and financial projections for new overseas markets, the renting of office space in a new overseas market for a maximum of six months and attendant salaries of employees working on the project up to a maximum of €1,500 per week.

²⁵¹ Value added relates to job creation in Ireland plus expenditure on Irish goods and services.

Profile of Assistance

28.40 The ESF was designed for companies that were clients or potential clients of development agencies. It involved the purchase by the development agency of cumulative redeemable preference shares generally repayable after five years and typically at a 3% coupon rate.

28.41 There were 223 companies in total who received payments under the ESF (214 from Enterprise Ireland, eight from Údarás na Gaeltachta and one from Shannon Development). The average market development grant paid to each company amounted to €91,000 with the average equity investment (under the main ESF scheme) coming in at €374,000.

28.42 Figure 134 sets out the sectoral distribution of the companies who were assisted under the scheme.

Figure 134 ESF Payments by Sector^a

Sector ^b	Number of companies	ESF payments €m
Manufacturing	101	47
Real estate, renting and business activities ^c	81	21
Wholesale and retail trade	16	5
Construction	10	3
Transport, storage and communication	6	1
Other	9	3
Total	223	80

Notes: a ESF payments include market development grants paid of €3.3 million.

b The NACE code assigned to each company is based on its primary economic activity.

c 15 of the 17 companies recorded in Figure 133 are classified within the 'business activities' category in this Figure.

Post Investment Reviews

28.43 All ESF companies that receive equity investment are subject to six monthly post investment reviews conducted by an Enterprise Ireland Development Adviser. The review covers both key financial and non-financial performance indicators to identify if original targets have been met.

28.44 A summary of how the companies in the report performed to date against key targets outlined in the Business Plan is shown in Figure 135.

Figure 135 Performance of ESF Aided Companies against Business Plan Targets^a

Assessment criteria	Assessment			Totals
	Improved	Same	Disimproved	
Jobs	44	31	55	130
Sales	22	6	101	129
Internationally Traded Services	25	7	97	129
EBITDA ^b	30	9	90	129
Total Debt	41	55	33	129

Source: Enterprise Ireland

Notes: a Enterprise Ireland completed a preliminary post investment report in October 2010 that summarised 130 reviews (181 companies had been approved funding at that date). One company did not make a full return in some cases. The equity investment in the companies reviewed was approximately €43 million.

b EBITDA refers to earnings before interest, taxation, depreciation and amortisation.

28.45 Early indications from Enterprise Ireland's first post investment report for the ESF suggest that significant business challenges lie ahead for the assisted companies to ensure that they can survive the present economic downturn. Nearly 80% of companies failed to meet first year sales targets set out in their three-year business plans. 70% could not meet earnings forecasts.

28.46 Notwithstanding the results outlined in Figure 135, when Enterprise Ireland reviewed the overall risk that targets with companies would not be achieved, at the end of the first year of the three-year business plan, it concluded that there had been a reduction in the number of companies with a high risk of failing to meet their targets to 31 (24% of those assisted) from the 39 (30%) level at the commencement of the plan period.

Conclusion – ESF

Proactive management of enterprise stability in an economic downturn of the intensity faced by Ireland was both desirable and necessary. Post investment analysis by Enterprise Ireland suggests that considerable challenges remain in that sales, internationally traded services and earnings had contracted in most assisted entities when measured against business plan targets.

The fund was designed for clients or potential clients of development agencies involved in manufacturing and internationally traded services. As such, its potential impact in wider enterprise stabilisation was limited.

From a financial perspective equity share investment funding is repayable which limits the Exchequer's ultimate exposure. The experience with similar schemes is that 60% to 70% of the investment is, ultimately, redeemed.

No evaluation of the effectiveness of Market Development Grants has been carried out to date.

General Administrative Matters

Funding Overlap with Existing Grant Assistance

28.47 IDA Ireland, Enterprise Ireland, Udaras na Gaeltachta and Shannon Development provide assistance to companies by way of employment grants in order to sustain a designated number of jobs in particular regions for a set period with a revocation clause in the grant agreement if the jobs are not sustained. Information was requested from each of these development agencies and was cross checked to ascertain if there were any employment grant agreements that were currently in place in the period for companies that also received grant assistance under the ESS. Shannon Development and Enterprise Ireland had no matching companies.

28.48 IDA Ireland identified 14 companies that had existing employment grant agreements in place prior to and during ESS funding. These companies, with contract agreement dates going back as far as 1998 but with a liability still outstanding, were approved employment grants of over €14 million to retain 1,363 jobs. Payments of over €9.6 million were made to April 2011 in respect of 921 of those jobs. Under the ESS, the same 14 companies received payments of €2.8 million in subsidies for 328 employees and committed to retain a total of 1,403 employees. In addition, one IDA company had an employment grant revocation of €1.1 million deferred in 2008 providing it maintained 300 jobs in Dublin until 31 December 2011. The same company received ESS payments of €455,000 to retain 535 jobs until 30 November 2010.

28.49 Údarás na Gaeltachta identified six companies that were approved employment grants of over €1.2 million to retain 127 jobs. The six companies were paid €904,000 up to April 2011. Under the ESS, the same six companies received payments of €279,000 in subsidies for 43 employees and committed to retain a total of 248 employees until 30 November 2010.

28.50 There was no requirement on the ESS application form for companies to declare if they were in receipt of employment grant funding. It was not part of the eligibility criteria and the assessors were not required to seek this information or to net off employment grants received against the final grants approved under the ESS. Enterprise Ireland have stated that a company is allowed to have received employment grants in addition to ESS funding, as specific jobs funded were not identified in the ESS and could not be matched with jobs funded from employment grants.

Companies in Receipt of both ESS and ESF

28.51 53 companies in the first call for ESS applications also received ESF funding and 31 in the second call. One company exceeded the €500,000 maximum Temporary Aid Framework funding. Enterprise Ireland stated that the error in granting the company €22,050 was a calculation error during the assessment process arising out of an understating by €22,050 of ESF aid previously received. Enterprise Ireland stated that they had already identified this company and that repayment of the excess amount was being sought.

Conclusion – Funding Overlap Risk

While there was an overall financial ceiling of €500,000 under the Temporary Aid Framework, by virtue of the design of the schemes, there remains the possibility that some companies could have been subvented twice to retain the same employees.

Information on companies that were in receipt of employment grants should have been made available to ESS grant assessors in order to allow them to consider the allocations in a joined-up way.

Liquidations and Business Difficulties

28.52 Companies that were in receipt of either ESS or ESF funding, or both, were reviewed to ascertain the number of employees that were made redundant by the same companies during the life of the grants. It was found that up to April 2011 a minimum of 110 companies had made 706 employees redundant.

28.53 The total redundancy liability of the State to the employers amounted to approximately €3.7 million for the 706 employees. The largest number of redundancies made in any one company was 46, while seven companies let go over 20 employees while the average redundancy across the 110 companies was six.

28.54 As part of the assessment process, Enterprise Ireland had to determine whether each company was viable in the medium term before it was deemed eligible for funding. Notwithstanding this, 19 assisted companies went into liquidation up to 31 March 2011. Figure 136 shows the number of funded companies who went into liquidation or were dissolved during the period of the ESS and ESF schemes or shortly after the schemes ended.

Figure 136 Companies that entered Liquidation or were Dissolved

Fund	1 April 2009 to 31 December 2010^a	1 January to 31 March 2011	Total
ESS Call 1	4	1	5
ESS Call 2	6	4	10
ESF	3	1	4
Total	13	6	19

Note: a The ESF commenced in April 2009 while the ESS commenced in August 2009.

28.55 One company that received advanced funding of €100,568 in December 2009 under the ESF market development grant scheme went into liquidation in April 2010 before it could utilise the funding. Enterprise Ireland have been unsuccessful in recovering any of the money. Another ESF funded company that received an equity investment of €250,000 in December 2009 went into liquidation in April 2010.

28.56 There were 12 ESS companies in the second call that entered receivership, ten in 2010 and an additional two in 2011. Three ESS funded companies were struck off the Company Register in 2011 due to the failure to file annual returns. If returns are not filed the companies are dissolved.

Conclusion

Approximately €200 million has been spent on helping companies maintain employment levels and capacity during the economic downturn. Two temporary schemes sought to address the threats to economic stability and employment.

Under the Employment Subsidy Scheme (ESS), €16 million has been spent in assisting companies to retain their workforces and productive capacity. An independent evaluation of the scheme has not yet been carried out. However, 81% of assisted companies were paid final payments signifying that they had maintained the committed number of jobs.

The information submitted by companies at both application and payment stage was not sufficient to allow Enterprise Ireland to confirm that the committed jobs were retained in instances where entities within a group structure were assisted. This deficiency may lead to the necessity for adjustments to paid subsidies in the case of some companies when follow-up audits are undertaken.

In order to position Enterprise Ireland to administer claims and track performance, companies should have been required, in the case of groups, to specify the business units to which subsidy applications pertained.

In parallel with the ESS, an equity share investment fund and a market development grant scheme focused on clients of the State development agencies seeking to sustain and increase their business development capacity and to strengthen their business bases. €80 million was paid to 223 companies with these objectives. Difficulty, on the part of the assisted entities, in reaching Business Plan targets suggests that considerable challenges remain as sales, internationally traded services and earnings had contracted in most equity assisted entities.

From a value perspective, there was some risk of overlap with existing employment grant schemes. However, the temporary funding could be awarded notwithstanding existing job subventions.

The temporary schemes were an attempt to cope with unprecedented threats to economic stability and employment levels. The initial feedback from companies that benefited from the ESS appears to show a positive outcome in maintaining job numbers, at least over the life of the scheme itself.

In a period of extreme turbulence it would be unrealistic to expect that market demand for the output of all assisted entities would be sufficient to see them through the downturn.

In the two schemes reviewed, the experience has been that notwithstanding the fact that they were assessed as viable at application stage, 34 companies assisted to the extent of €1.2 million in ESS funding and €50,568 in ESF funding have either been liquidated, put in to receivership or struck off with some foundering soon after the injection of the assistance. However, this cohort represents only 2% of the total number of companies assisted, and a fuller measure of the impact the schemes had in helping to sustain jobs and stabilise all companies supported during the financial downturn will not be known until an independent evaluation is carried out.