



DUBLIN
CHAMBER

Q4

Business Outlook Survey 2021

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Introduction

This report reviews Dublin Chamber's Business Outlook Survey for Q4 2021, conducted over the period 11th November – 26th November. Over 300 companies across the Dublin region participated. Carried out as 2021 draws to a close, this survey focuses on the main challenges businesses will face in the coming year, and the more immediate business outlook for the next quarter.

This quarter we asked members about the biggest challenges facing them in 2022. Have businesses experienced an increase in staff turnover in the past six months? What measures do businesses find most effective for attracting and retaining staff? And what are the biggest challenges associated with flexible and remote working?

The survey establishes that most businesses expect the greatest challenge in 2022 to be staff retention and recruitment. Most

businesses have experienced an increase in staff attrition levels, and many are struggling to fill vacancies. The responses also indicate that housing availability will be the biggest issue for Dublin's competitiveness in the year ahead, with many companies reporting that this problem is making it harder to attract skilled and talented personnel to the capital city.

This report also outlines the feedback received from businesses in focus groups held with Dublin Chamber members over the past quarter, covering Budget 2022, staff recruitment and retention, the Climate Action Plan 2021, and the experience of the retail and hospitality sectors this winter.

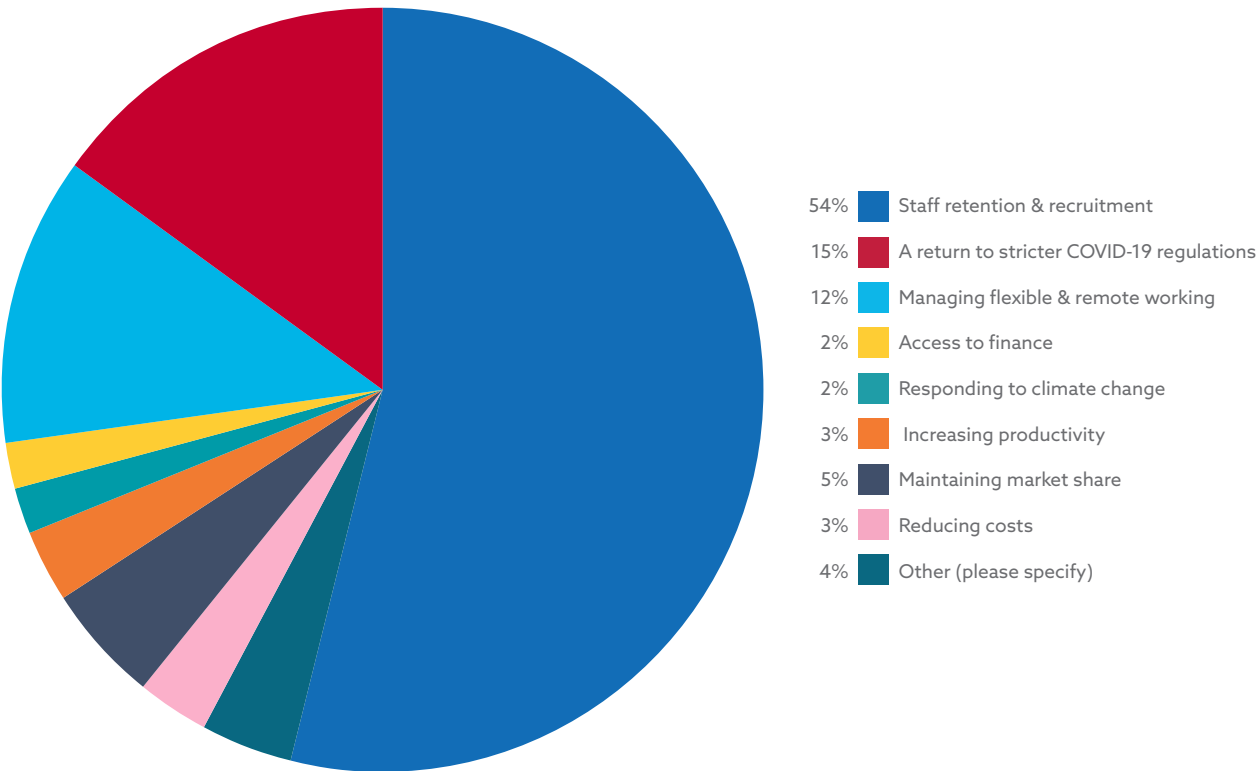
If you have any comments on our survey, or want to discuss our findings, please contact us at **policy@dublinchamber.ie**.

Business Challenges

As we approach the end of the year and businesses look to the future, we asked “What is the biggest challenge facing your business in 2022?” Over half of businesses (54%) reported that staff retention and recruitment is the biggest challenge facing them in 2022. This finding confirms anecdotal reports that “the Great Resignation” is a trend causing Irish businesses serious concern. Interestingly, only 15% indicated that a return to stricter Covid-19 regulations was

the biggest challenge facing them in 2022. This is a testament to the effectiveness of Government supports for impacted businesses during the pandemic to date, and it illustrates the value in continuing such support should it be required. Although stricter Covid-19 regulations are a concern, staff retention and recruitment is overwhelmingly the most pressing issue for businesses in Dublin at present.

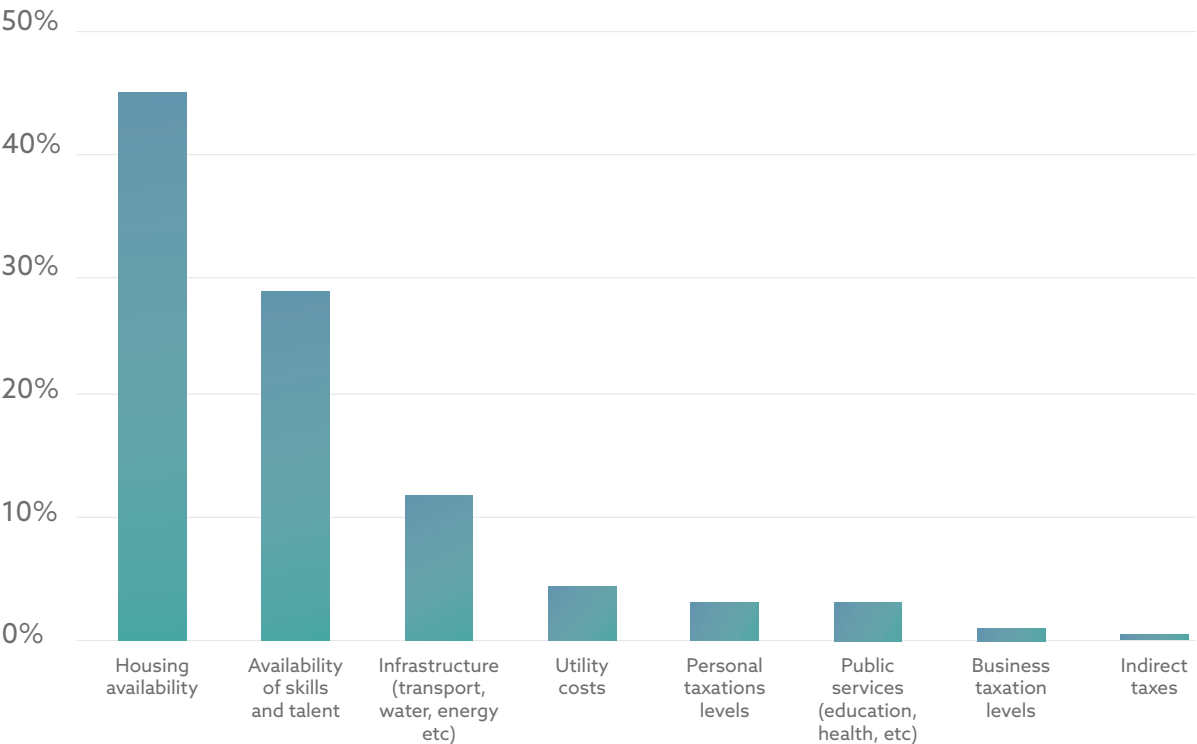
What is the biggest challenge facing your business in 2022?



Dublin Chamber also asked businesses “What will be the biggest issue for Dublin’s competitiveness in the year ahead?” Housing availability ranks first, with a plurality of businesses (45%) identifying it as the biggest issue, a result consistent with previous survey findings over the past several years. Meanwhile, 29% of businesses reported that the availability of skills and talent will be the biggest issue affecting Dublin’s competitiveness, reflecting concerns about staff recruitment and retention at company level. These responses suggest that whilst the two issues are distinct, they are

interlinked, with many businesses reporting that the availability of skills and talent in Dublin is greatly impacted by housing availability. The third most widely reported issue facing Dublin’s competitiveness, at 12%, is inadequate infrastructure in areas such as public transport, water, and energy. Infrastructure, which is also closely connected to the housing issue, has ranked highly among business priorities for several years; its relatively lower place in this survey reflects the recent surge in concern about staffing issues and the immediacy of the housing crisis.

What will be the biggest issue for Dublin’s competitiveness in the year ahead?

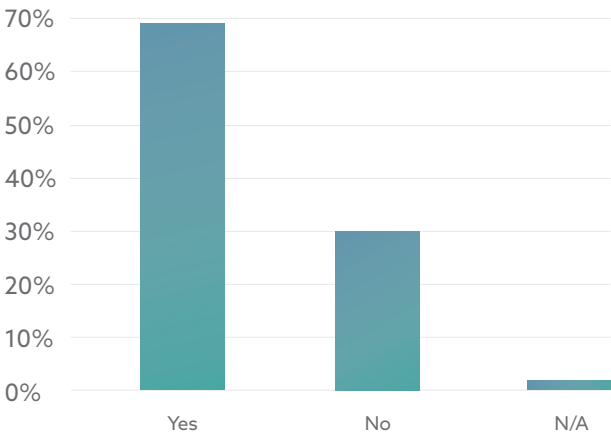


Staff Retention and Recruitment

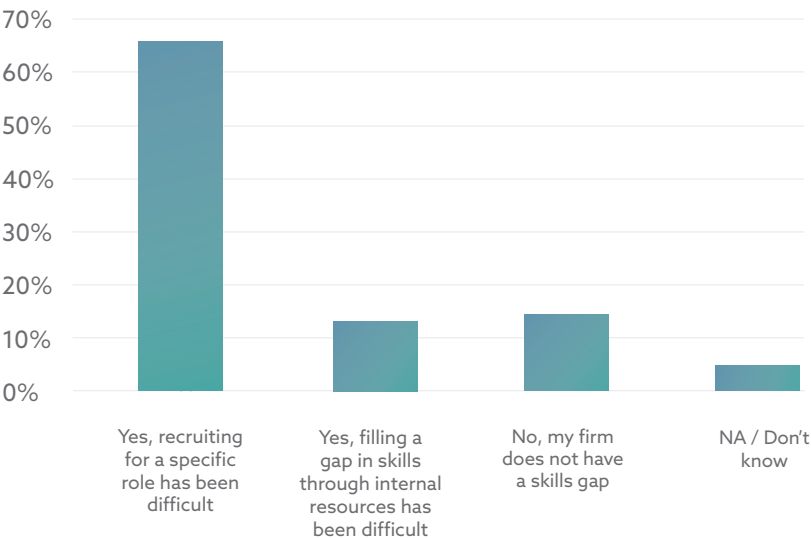
Almost 7 in 10 businesses (69%) reported that they have experienced an increase in staff turnover in the past six months. The results confirm anecdotal reports that the labour market is currently experiencing a substantial increase in movement. Many firms reported that there was a pause in attrition levels during the early stages of the pandemic, and that a

year of pent-up demand for movement in the labour market has now resulted in a surge in staff turnover. However, it is important to note that 30% of businesses claim they have not seen an increase in staff turnover, with many reporting that their concern is more to do with recruitment than retention.

Has your business experienced an increase in staff turnover in the past six months?



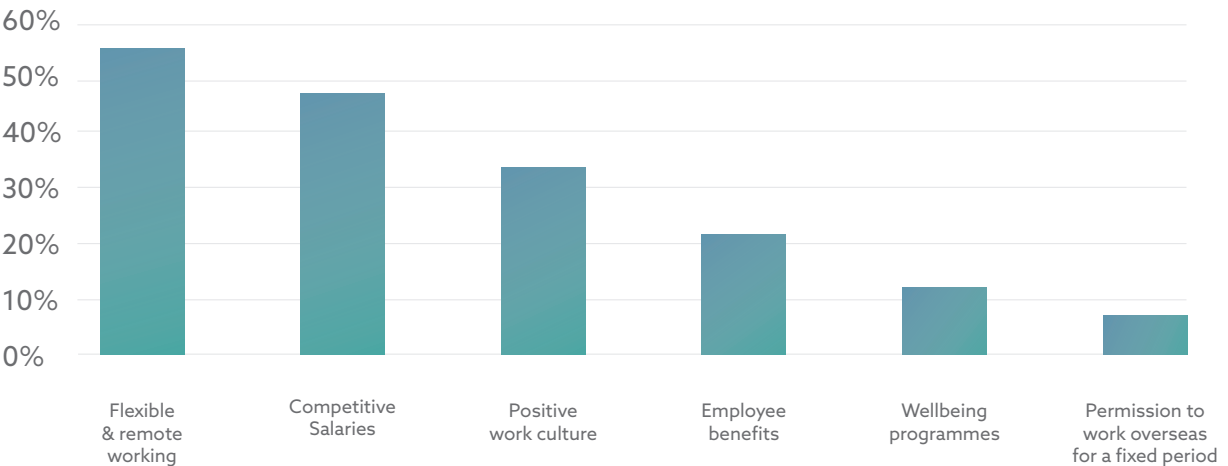
Has your firm struggled to fill a specific skills gap over the past 12 months?



Dublin Chamber asked if businesses have struggled to fill a specific skills gap in the past 12 months. More than 2 in 3 businesses (67%) reported that they have experienced difficulties recruiting for specific roles. The responses indicate that the availability of skills and talent is a concern for businesses across all sectors and at all levels of seniority. Many companies reported a gap in tech and IT skills, while businesses in the hospitality sector noted that there is a lack of chefs and service staff available. Only 16% of companies reported that they were not experiencing a skills gap. The results clearly indicate that the availability of skilled labour is a serious issue for businesses at present.

We also asked businesses what measures they have found most effective in attracting and retaining staff. The survey results show that flexible and remote working (56%), competitive salaries (48%), and positive work culture (33%) were the top three measures that support staff recruitment and retention. These findings are consistent with media reports that employees' priorities are evolving. Many companies noted that while competitive salaries are still important, they must also offer flexible and remote working conditions and a positive work culture in order to attract and retain staff. Interestingly only 7% of businesses reported permission to work overseas as an effective measure for staff recruitment and retention. Although many businesses stated that they would offer this as an option to their staff, it is not a top priority.

What measures does your business find most effective in attracting and retaining staff?

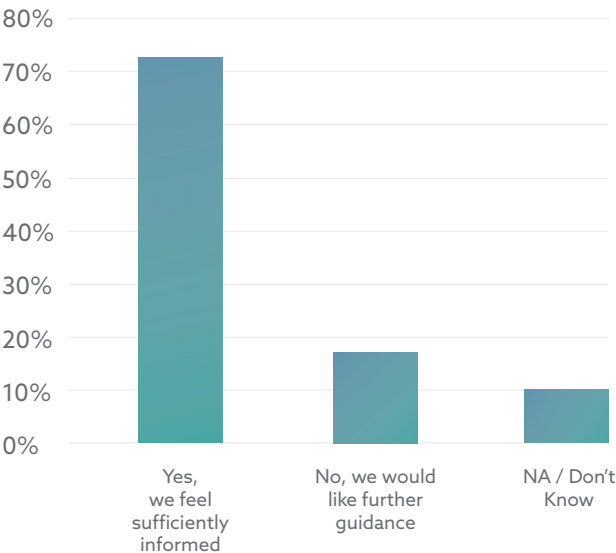


Managing Flexible and Remote Working

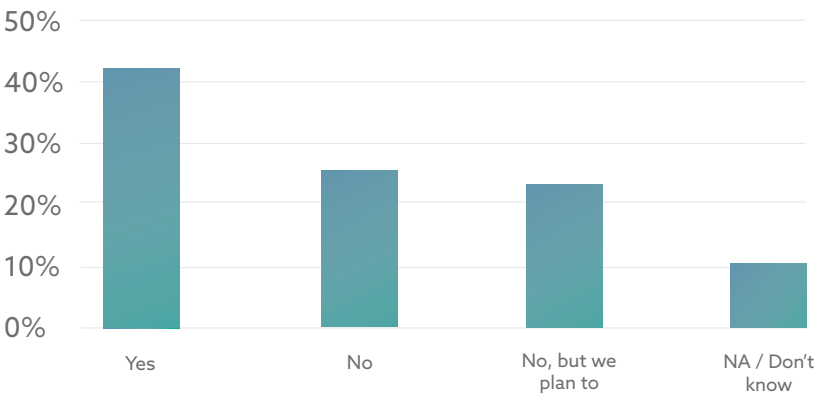
Given the spread and likely continuation of flexible and remote working conditions we asked businesses if they have received sufficient guidance on how to manage these new work practices. Almost 3 in 4 businesses (73%) indicated that they feel sufficiently informed and are comfortable managing flexible and remote working. Many respondents noted that although Covid-19 accelerated the speed at which remote

and flexible working was adopted by staff members, they had already introduced these work practices on some level pre-pandemic. Only 17% of companies reported that they need further guidance on how best to manage flexible and remote working. Some businesses noted that employee insurance while working from home is an issue for their company.

Has your business received sufficient guidance on how best to manage flexible and remote working?



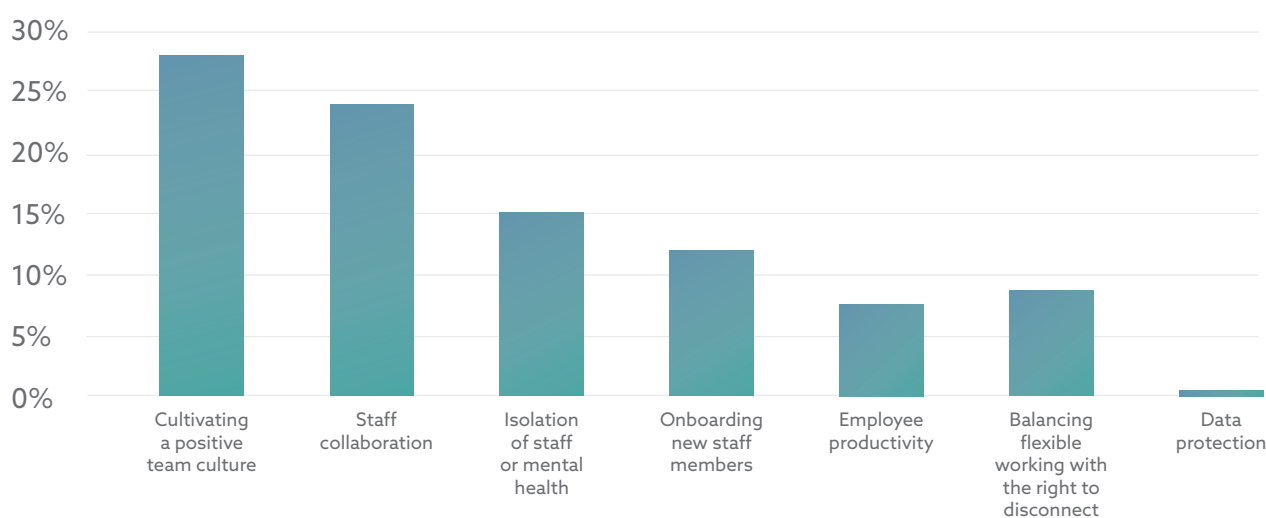
Does your company have a policy for managing an employee's right to disconnect?



With many employees now working flexibly and operating on different schedules, Dublin Chamber asked businesses: "Does your company have a policy for managing an employee's right to disconnect?" The results are varied, with more than 2 in 5 businesses (42%) reporting that they have a company policy, while a quarter of businesses (25%) indicated that they do not have a policy for managing an employee's right to disconnect. Almost a quarter of businesses (23%) reported that they do not yet have a policy but plan to implement one in the future. The findings demonstrate that businesses are taking different approaches to managing the right to disconnect. The approaches vary from an official policy on the employee's right to disconnect to an understanding among staff and management to respect each other's right to disconnect from work.

As businesses navigate new work practices, we asked them to identify the biggest challenge in relation to flexible and remote working. The results show that cultivating a positive team culture (28%), staff collaboration (24%), and isolation of staff or mental health issues (15%) are the top three concerns regarding flexible and remote working. Many businesses reported that staff are lacking a sense of connectedness and belonging to their firms, and that this is particularly true of new employees. Several companies also reported that divisions are emerging between staff who work on-site and staff working remotely. The results raise important questions about how businesses can best manage new work practices to ensure minimal impact on professional relationships and staff morale.

What is the biggest challenge with remote or flexible working for your business?



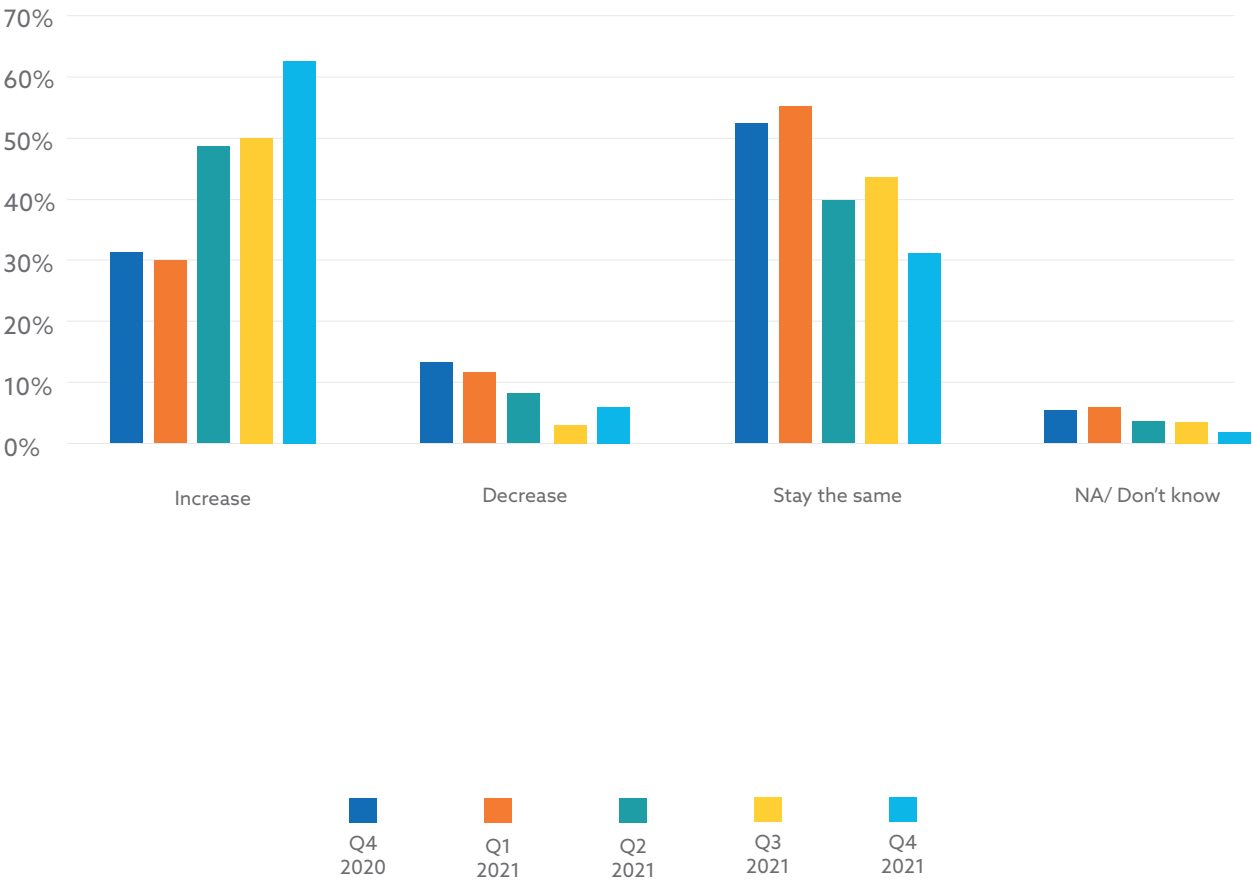
Business Outlook

For the past decade, Dublin Chamber has been surveying firms on the outlook for their business in terms of employment numbers, turnover, and profitability. As the year draws to an end, a positive shift in business outlook is now evident.

There is a significant jump in the percentage of businesses expecting to increase staff numbers over the next three months, with more than

6 in 10 (62%) expecting an increase. This compares with less than a third of businesses (31%) in Q4 2020. Similarly, there is an overall positive trend in the declining proportion of companies anticipating a decrease in staff, with only 5% of companies expecting lower employee numbers in the next quarter. This compares with 3% in Q3 2021, 8% in Q2 2021, 11% in Q1 2021 and 13% in Q4 2020.

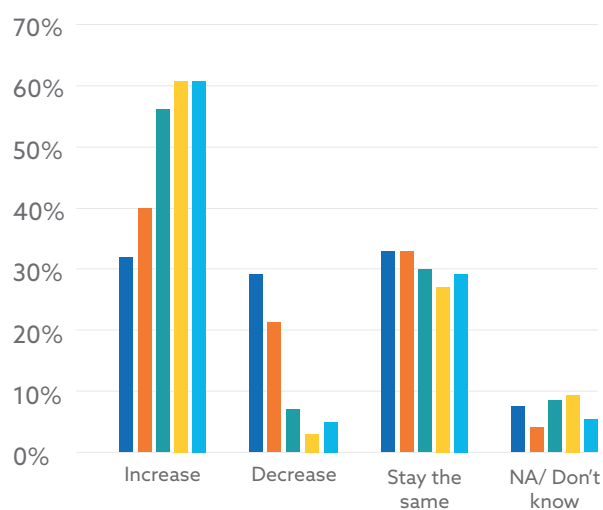
Over the next three months do you expect your firm’s staff numbers to:



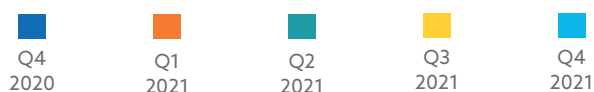
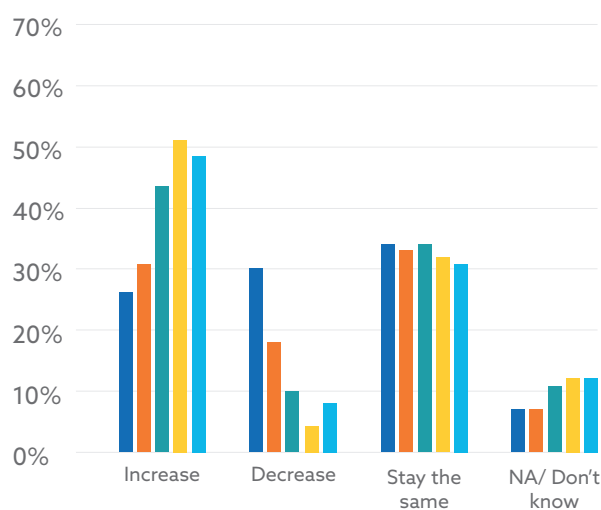
On another positive note, over the last year there has also been a steady rise in companies that are expecting their revenues to increase: 32% in Q4 2020, 40% in Q1 2021, 56% in Q2 2021, and 61% in Q3 2021, a figure which has held steady this quarter. Only 5% of companies

expect revenue to decrease in the next three months. This is a slight increase on 3% in Q3 2021 but nonetheless an improvement on 6% in Q2 2021, 22% in Q1 2021, and 29% in Q4 2020.

Over the next three months do you expect your firm's revenue to to:



Over the next three months do you expect your firm's profits to:



Businesses are slightly less optimistic in terms of profitability expectations over the next three months. Almost half of businesses (48%) are expecting an increase in profits, declining somewhat from 51% in Q3 2021. However, this is an increase when compared with 44% in Q2 2021, 31% in Q1 2021, and 27% in Q4 2020, so

the overall trend remains positive. The percentage of businesses expecting a decrease in profits has risen to 8% in this quarter compared to only 4% in Q3 2021. However, this is still a decline from 10% in Q2 2021, 28% in Q1 2021 and 30% in Q4 2020.

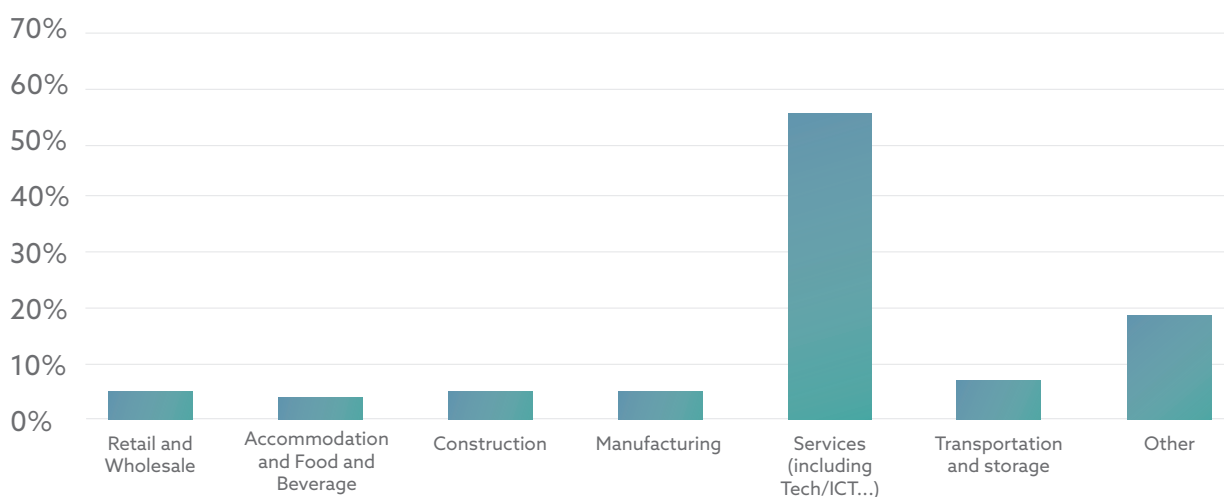
Respondent Profile

Responses were drawn from a diverse sample of businesses from across the Dublin region, ranging from micro-enterprises to large multinationals. Over half of the businesses surveyed (56%) are in the services sector, which includes IT, finance, and professional services. The remaining industries included transportation and storage (7%), retail and wholesale (5%), manufacturing (5%), accommodation and food & beverage services

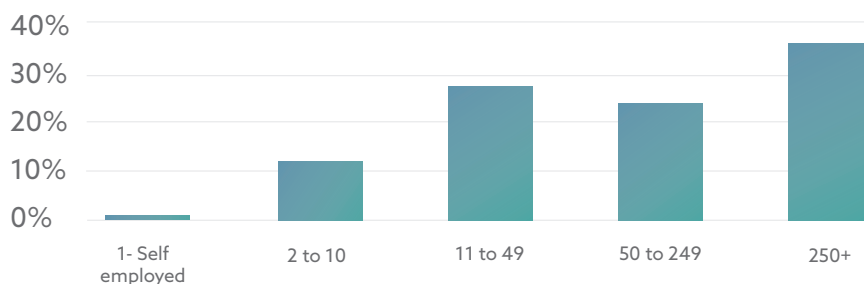
(4%), construction (5%) and other categories.

Most respondents to the Dublin Chamber survey were SMEs. However, the largest single cohort surveyed (36%) consists of large businesses employing 250 people or more. Of the remaining businesses, 28% employ 11 to 49 people, 24% employ 50 to 249, and 12% employ 2 to 10 people.

What sector is your business primarily in?



How many people does your firm employ?



In Focus

Dublin Chamber regularly holds focus groups with its member companies to inform policy work with qualitative feedback and to provide greater insight into topical issues affecting business. This quarter we held focus groups on topics including Budget 2022, Staff Retention and Recruitment, the Climate Action Plan, and Retail & Hospitality this Winter.

Budget 2022

Businesses welcomed the extension of the Employment Wage Subsidy Scheme (EWSS) but expressed concern at the set deadline for ending the support. Participants expressed the view that the industries hit hardest by pandemic restrictions need more time to return to pre-pandemic levels of stability. It was noted that EWSS acts as an essential lifeline to impacted businesses in easing pressure on wage costs in the context of a challenging labour market. The Government will need to provide for continued support in the event of a return to increased public health restrictions.

Continuation of the 9% VAT rate was viewed as a welcome relief to businesses in the tourism and hospitality sector. However, some businesses expressed concern at the announcement that this will expire in August 2022. Participants reported that an increase in VAT will be passed on to the customer, impacting competitiveness.

Businesses are experiencing staff shortages across all sectors, with hospitality being hit particularly hard. Participants reported that skilled hospitality workers have moved into industries that proved more secure during the pandemic.

Staff Recruitment and Retention

Companies recognise that to attract and retain staff they need to offer a hybrid model including remote and flexible working conditions. Employers also recognise the

need to balance this with employees' right to disconnect. Some staff who are unable to work from home have asked for compensation, such as an extra day off a month, in lieu of being able to work from home.

Connection and work culture are essential for retaining staff. As a result, flexible and remote working may lead to problems in retaining staff who feel isolated or disconnected from the company. Participants reported that it is particularly difficult for employers to cultivate a positive work culture for newer staff who may never have been in the business premises. It was repeatedly noted that it has become difficult to fill vacant roles. In addition to high salaries, companies are also having to consider attractive bonus structures, wellness programmes, perks, and flexible working to attract top talent.

Many companies have witnessed a significant rise in attrition rates in the last 6 months. Recruitment firms reported that this could be due to a pause on labour movement during the Covid-19 pandemic. Now that all sectors are reopening, businesses are experiencing pent-up levels of attrition as a result of this pause and the market becoming more employee led.

The high cost of living in Dublin, most notably as a result of rental and house prices, was mentioned as a key factor deterring people from working in the capital city region. This was noted as particularly important for workers in the hospitality and retail sectors but is also a barrier to attracting senior staff from overseas for office work.

There are considerable skill shortages across several sectors, with skilled tradespeople in particularly high demand. The championing of academic achievement over apprenticeship programmes was cited as a potential reason for this skill gap.

Climate Action Plan

Participants generally welcomed the Climate Action Plan 2021, as it places sustainability front and centre of the Government's agenda. However, the need for action from Government was stressed by many: the Government needs to lead by example. Participants also expressed frustration at the seemingly siloed approach to climate action within government, with departments not necessarily taking advice on sustainability on board. Some attendees expressed frustration at dealing with multiple departments that are not always aligned when it comes to the implementation of climate goals and the implications of compliance.

Attendees discussed several challenges they have encountered in their own sustainability planning. Larger companies explained that it can be a struggle to get executive teams to understand the urgency of the issue. Therefore, there is a need for clear communication and education on the issue of sustainability. It was agreed that businesses cannot achieve sustainability goals by assigning them to staff members who are principally focused on other things; specialised individuals need to have sustainability as their core focus.

Most companies reported having a good grip on Scope 1 and Scope 2 emissions. However, Scope 3 emissions are proving more difficult due to the limited control companies have over these. Data gathering was also noted as a significant challenge, particularly finding the right software to manage specific needs, and finding a way to successfully gather data from disparate supply chains.

The uncertainty surrounding grants was noted as a further hindrance to progress for many smaller businesses. The Government needs to produce clear medium and long-term plans for the continuation of grants that aid sustainability. It was further noted that complications with Government grants may inhibit organisations from using funding effectively.

There is a hope that next year's plan will be more prescriptive and focus on interaction beyond the island of Ireland, but there is also a worry that the annual review of the Climate Action Plan could lead to targets being changed.

Retail & Hospitality this Winter

Businesses in the retail, hospitality, tourism, catering, and events sectors expressed growing concern about their prospects. Retailers who are open and trading report healthy performance, with positive data being returned by credit card service providers. But the possibility of future restrictions has cast a shadow of uncertainty over the next quarter.

Hotels reported returning from 'recovery mode' to 'survival mode', facing cancellation rates of around 50%. The Government's mid-November announcement of new restrictions triggered an instant surge in cancellations of room bookings, business lunches, and Christmas-related events of all sizes, wiping large six-figure sums of the balance sheet. Though the main practical change was a midnight closing time, the public messaging alone has been sufficient to cripple demand, representing lost business of €300,000 in the last week of November and first of December in the case of one company.

City centres are facing a crisis which requires a national policy response, rather than one devolved to multiple local authorities with limited power and resources.

There were numerous calls for a pause and reversal of the Government's planned withdrawal of the EWSS and other supports, and frustration that financial planning is being hindered by the Government's delay in announcing its intentions in this respect. Several hospitality businesses expressed foreboding about their medium and long-term prospects, citing the warehousing of debt and planned reintroduction of commercial rates next year.

Aparthotels have a more positive medium-term outlook due to increased demand for privacy and social distancing among international visitors, with capacity set to grow by several hundred units before the end of summer 2022. However, this sector has likewise experienced

a sharp increase in cancellations for the winter period.

There is a general sense that Dublin lacks a political champion at national level. City centres are facing a crisis which requires a national policy response, rather than one devolved to multiple local authorities with limited power and resources. Members reiterated support for a directly elected mayor for the whole Dublin region to provide the vision and leadership the capital needs. Businesses also called for greater investment in the health service to cope with an endemic virus situation, and highlighted the possibility of free antigen testing and a wider use of Covid-19 passport requirements as an alternative to future lockdowns.



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