

## **Embedding Structural Change Necessary to Maintain the Momentum of Recovery**

**Ireland cannot allow hard won competitiveness to be undermined by inertia**

### **National Competitiveness Council publishes its *Competitiveness Challenge Report***

**3<sup>rd</sup> December 2014**

The National Competitiveness Council (NCC), today (Wednesday) has outlined its priorities for Ireland's competitiveness in its annual policy report, Ireland's Competitiveness Challenge 2014. This report, which is produced under the *Action Plan for Jobs 2014*, outlines the Council's view of the main competitiveness issues confronting the business sector in Ireland over the medium term, and sets out a series of policy responses required to address these challenges.

Building on their earlier benchmarking of Irish competitiveness, the Council focus on six major themes in the 2014 report:

- Addressing cost competitiveness;
- Broadening the tax base and investing in economic infrastructure;
- Enhancing our skills base;
- Developing our enterprise base;
- Improving access to finance; and
- Rebuilding the trust of citizens in the ability and willingness of public and private bodies in Ireland to adhere to the highest international standards.

The report finds that while recent competitiveness improvements leave Ireland well placed to take advantage of any upturn in global markets, we remain vulnerable on a number of fronts. Firstly, the report highlights the risk that recent gains will be eroded unless action is urgently progressed to tackle structural impediments to competitiveness. Much of the recent improvement in Ireland's competitiveness can be attributed to the cyclical effects of the recession; only structural reform can embed these improvements on a more permanent and sustainable basis. In this regard, reforms to social welfare continue to be important to encourage the take-up of employment, and the Council continues to stress the importance of promoting competition in sheltered sectors of the economy.

Secondly, the report notes that as an export driven economy, Ireland's prosperity is largely dependent on the health and strength of foreign markets. To spread the risk (e.g. of weak European growth) and minimise the impact of external shocks there is a need, therefore, to diversify markets into which we sell and broaden the sectors in which we operate.

Launching the report, Dr Don Thornhill, Chairman of the NCC welcomed the upswing in Ireland's economic performance, noting, "Ireland's economy maintained its momentum through 2013 and into 2014. Improvements in our labour market, continued stability in the public finances, and a generally positive macroeconomic outlook reinforce the view that we can look to the future with a greater sense of optimism".

Dr Thornhill continued, "However, we must also protect what we have – we must be quite clear that the hard won competitiveness gains that we have made since 2008 are in danger of being eroded as the economy returns to growth. These gains cannot be allowed to dissipate through either overconfidence or inertia. To protect and enhance Ireland's

international competitiveness, we must maintain the momentum generated through the hard work and sacrifices of the past five years, and continue with a programme of structural reform. Only a concerted programme of action will deliver the conditions necessary to support continued economic and employment growth into the medium term”.

The Chairman also noted, “A timely message in this year’s Challenge – particularly given recent discussions about Ireland’s international reputation and announcements in relation to tax changes for multinationals – is the issue of trust: trust in policymakers, trust in institutions, trust in companies. While trust is intangible, it is an important international currency. A reputation as a secure and responsible location in which to do business is central to competitiveness”.

*See link to report below:*

**[Ireland’s Competitiveness Challenge 2014](#)**

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#### **NOTES TO EDITORS**

This National Competitiveness Council paper is a requirement under Action 92 of the Action Plan for Jobs 2014 and is due to be completed by Q4 2014.

*Ireland’s Competitiveness Challenge 2014* proposes a series of recommendations designed to:

- i. **Maintain Cost Competitiveness:** The Council has turned the spotlight on the cost of labour, property and energy – the three most significant cost factors for most firms; elements of all three areas are within our domestic policy control
- ii. **Developing and retaining a broad tax base and facilitating investment in infrastructure.** The Council is focused on the need to maintain the public finances on a sustainable basis. At the same time, the Council is, however, mindful of the need to provide for public investment in essential economically and socially productive infrastructure (such as water, broadband and social housing)
- iii. **Ensure a supply of Essential Skills to Enterprise:** The Council is particularly focussed on the development of the Further Education and Training (FET) and Apprenticeship systems. The goal is to ensure that FET can deliver more high quality, flexible and responsive education and training programmes that explicitly meet the needs of the learner and the employer
- iv. **Develop a More Sustainable Enterprise Base:** A more sustainable, diversified and broad-based export oriented enterprise sector would enhance our resilience. A range of actions aimed at the both foreign and indigenous companies are put forward, and actions are targeted across the full life cycle of the firm
- v. **Enhance Access to Finance:** Finance plays a critical role for firms. A range of actions are proposed to increase the supply of credit, particularly to SMEs
- vi. **Enhance Trust in Public and Private Institutions:** The Council draw attention to the complex topic of trust – trust by our citizens in institutions, trust in companies, and trust in regulations. The report emphasises that Ireland must address the failures of the past and rebuild the trust

of the public in the ability and willingness of public and private bodies in Ireland to adhere to the highest international standards

### **About the NCC**

The NCC reports to Government on key competitiveness issues for the Irish economy and makes recommendations on policy actions required to enhance Ireland's competitive position.

The Minister for Jobs, Enterprise and Innovation announced new membership of the National Competitiveness Council in May 2013 and mandated the Council to develop actions on competitiveness for implementation through the Action Plan structure. The members of the Council are:

- Dr Don Thornhill, Chair, National Competitiveness Council
- Liam Casey, Chief Executive Officer, PCH International Ltd.
- Prof. Peter Clinch, Jean Monnet Professor of European Economics and Professor of Public Policy, University College Dublin
- Shay Cody, General Secretary, IMPACT Trade Union
- Clare Dunne, Assistant Secretary, DJEI
- Isolde Goggin, Chairperson, Competition Authority
- John Herlihy, Vice President, International SMB Sales and Head of Google Ireland
- Danny McCoy, Chief Executive Officer, Ibec
- Jane Magnier, Joint Managing Director, Abbey Tours
- Seán O'Driscoll, Chairman and Chief Executive Officer, Glen Dimplex Group
- Louise Phelan, Vice President of Global Operations, Europe Middle East and Africa, PayPal
- Heather Reynolds, Director, Eishtec
- Dave Shanahan, Head of Strategic Health Initiatives Worldwide, AbbVie
- Paul Sweeney, Former Chief Economist, ICTU
- Ian Talbot, Chief Executive, Chambers Ireland
- Siobhán Talbot, Group Managing Director, Glanbia

Representatives from the Departments of the Taoiseach, Agriculture, Food and the Marine, Communications, Energy and Natural Resources, Education and Skills, Environment, Community and Local Government, Finance, Justice and Equality, Public Expenditure and Reform, Transport, Tourism and Sport attend Council meetings in an advisory capacity.

The work of the NCC is underpinned by research and analysis undertaken by the Strategic Policy Division, Department of Jobs, Enterprise and Innovation.