

PRESS RELEASE

Driving Productivity key to competitiveness and sustainable growth

Today (Wednesday, 15 January 2020) Dr Frances Ruane, Chair of the National Competitiveness Council, took part in a panel discussion hosted by the Dublin Chamber of Commerce entitled "Competitiveness Challenges facing the Irish Economy". Dr Ruane was joined on the panel by Dr Ciara Morley, Manager with EY-DKM Economic Advisory Services.

At the heart of Ireland's national competitiveness is creating an environment in which Irish businesses are able to compete successfully in international markets. Dr Ruane's presentation focused on the National Competitiveness Council's *Competitiveness Challenge 2019* report that examines issues relating to cost and productivity and makes recommendations to Government in these areas. The report notes that while Ireland is a competitive economy, there is still room for improvement, and a range of actions aimed at enhancing Ireland's competitiveness and productivity are discussed in the report.

Dr Ruane noted that *'as a small, highly-open and concentrated economy, we are particularly vulnerable to external shocks, as we saw clearly in 2008. Consequently, we cannot afford to be complacent about our strong overall performance and must continuously strive for improvement, so that we remain a highly competitive economy.'*

In this context, *Ireland's Competitiveness Challenge 2019* focuses on a small number of issues in greater detail this year compared with previous years, and targets more closely the associated recommendations for Government. Specifically, the report looks at three areas where costs impact on business, and especially on SMEs, namely, the cost of credit, legal costs and insurance costs. The report also focuses on three issues in relation to productivity, namely, digital engagement, infrastructural investment, and skills and training. While the decision to focus on a smaller number of topics means that the Council does not cover the same breadth of issues as it has in previous years, there continue to be several other important challenges that the Council would like to see progressed that are not the focus of this year's report.

Dr Frances Ruane noted that *'the Competitiveness Challenge identifies a range of recommendations that address both immediate competitiveness issues, and more medium-term challenges aimed at enhancing Ireland's competitiveness and productivity performance. It is imperative that progress is made on these recommendations by the relevant Government Departments and State bodies over the course of 2020, supporting competitiveness and sustainable economic growth so that our living standards and quality of life can continue to improve.'*

ENDS

NOTES TO EDITORS

Ireland's Competitiveness Challenge 2019

The report focused on the following six key topics:

- **Cost of Credit:** Access to competitively priced sources of finance facilitates investment and development of businesses. A higher interest rate means a higher cost of borrowing, impacting on the competitiveness of businesses that need to borrow for a variety of reasons. The Council is concerned that the cost of credit in Ireland continue to be higher compared to those in the euro area. The affordability of credit, particularly working capital, remains a major issue. While there are number of loan schemes that are in effect which provides variety of funding options for businesses in Ireland, Government needs to further analyses the role of the factors, such as, lending market concentration, default rates, collateral practices, and capital reserve requirements, identified by the Central Bank and Department of Finance's research.
- **Legal Services cost:** As an input to almost every enterprise in the country, the costs of legal services have a direct impact on the competitiveness of the entire economy. The Council is concerned that Ireland remains both an expensive and a slow jurisdiction in which to enforce a commercial contract. In addition, attorney fees, as a percentage of total enforcement cost remains high in Ireland compared to Germany, France, and Spain. It is vital that the reforms which aims to increase competition and improve transparency in the sector is expedited.
- **Public liability Insurance cost:** Liability insurance cover is an operational necessity for every business. If insurance costs in Ireland, a key component of overall business costs, are out-of-line with other jurisdictions, it increases the cost of doing business and in extreme cases can lead to the closure of businesses. While the Council is constrained in its research on public liability insurance cost in Ireland due to the lack of statistics, evidence from business groups suggest that the rising price of public liability insurance is inflating cost of doing business in Ireland and adversely affecting our competitiveness. Timely implementation of Cost of Insurance Working Group's recommendations and continue monitoring of their impact on the insurance cost for businesses is crucial to address the issue.
- **Digital Economy:** While the digitalisation across economic sectors have increased rapidly in recent years, the full impact of this digitalisation is not apparent in national productivity figures. The Council is concerned that the Irish SMEs continue to be less productive than large firms, and that the productivity gap remains larger in Ireland than in most other EU28 countries. Further efforts are needed on lifting digital 'laggards' by addressing digital knowledge and financing gaps among SMEs. In addition, finalisation of NDS, cost effective delivery of NBP, and a coherent and integrated framework of digital policy encompassing, Cyber Strategy and AI strategy is urgently required to transform Ireland into a leading digital economy.
- **Infrastructure:** While the increased infrastructure spending under Project Ireland 2040 is welcome, the challenge remains to deliver effectively-connected infrastructure projects that drive future productivity growth and maximise returns on investment. It is vital that appropriate governance measures are in place to ensure value for money and to avoid overheating of the economy.
- **Human Capital:** Human Capital stocks, a primary source of increased productivity and sustainable economic growth, are vital to the global competitiveness of Ireland. The Council is concerned that the growing demands on higher Education and the persistent under-resourcing of the sector are placing Ireland at a considerable disadvantage internationally in terms of pipeline of skilled and knowledgeable workforce. Reforming the third level funding model to

increase participation and ensuring high-quality of graduate output which aligns with enterprise needs is crucial to enhance Ireland's human resources. In addition, aligning the apprenticeship and vocational training systems that are in line with the industry demand and meets the global best practice, supporting low skilled workers at risk of displacement by changing technology to retrain and upskill, along with investing in lifelong education and training, remains vital for ensuring Ireland's long-term competitiveness.

The full report is available [here](#).

National Competitiveness Council

The National Competitiveness Council (NCC) was established in 1997. It reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation, on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position.

The European Council recommended the establishment of National Productivity Boards in each euro-area country in September 2016. In accordance with the recommendation, the Government mandated, in March 2018, the National Competitiveness Council as the body responsible for analysing developments and policies in the field of productivity and competitiveness in Ireland.

Each year the NCC publishes two annual reports:

- Ireland's Competitiveness Scorecard provides a comprehensive statistical assessment of Ireland's competitiveness performance; and,
- Ireland's Competitiveness Challenge which uses this information, along with the latest research, to outline the main challenges to Ireland's competitiveness and the policy responses required to meet them.

As part of its work, the NCC also publishes:

- The Costs of Doing Business report;
- A Productivity Statement; and,
- A series of competitiveness bulletins and other papers on specific competitiveness issues.

The work of the National Competitiveness Council is underpinned by research and analysis undertaken by the Enterprise Strategy, Competitiveness and Evaluation Division of the Department of Business, Enterprise and Innovation.