

PRESS RELEASE

Driving Productivity key to competitiveness and sustainable growth

- At the heart of Ireland's national competitiveness is creating an environment in which Irish businesses are able to compete successfully in international markets.
- The National Competitiveness Council's (NCC) *Competitiveness Challenge 2019* report focuses on six issues related to cost and productivity and makes recommendations to Government in these areas.
- Specifically, the report focuses on:
 - Three cost-related issues: the cost of credit; legal costs; and, insurance costs; and,
 - Three productivity-related issues: digital engagement; infrastructure investment; and, education, skills and training.
- The report 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.
- The Council looks forward to the Government's response, before the end of the first quarter 2020, to these recommendations.

Today (12 December), the Chair of the NCC, Dr. Frances Ruane, launched *Ireland's Competitiveness Challenge 2019* report. Building on the Council's previous reports this year, the *Competitiveness Challenge 2019* notes that while Ireland is a competitive economy, there is still room for improvement. This report outlines a range of actions aimed at enhancing Ireland's competitiveness and productivity.

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. We also focus 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 continues to be several important challenges that the Council would like to see progressed that are not the focus of this year's report. These issues are addressed at the beginning of the document.

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:

- **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.
- **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.

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.

The members of the Council are:

Dr Frances Ruane Chair, National Competitiveness Council

Pat Beirne	Chief Executive Officer, Mergon Group
Ciarán Conlon	Director of Public Policy, Microsoft, Ireland
Kevin Callinan	General Secretary, Fórsa
Micheál Collins	Assistant Professor of Social Policy, University College Dublin
Isolde Goggin	Chair, Competition and Consumer Protection Commission
David Hegarty	Assistant Secretary, Department of Business, Enterprise and Innovation
Fergal O'Brien	Director of Policy and Chief Economist, Ibec
Seán O'Driscoll	President, Glen Dimplex Group
Dirk Pilat	Deputy Director for Science, Technology and Innovation, OECD
Margot Slattery	Country President, Sodexo Ireland
Martin Shanahan	Chief Executive, IDA Ireland
Julie Sinnamon	Chief Executive, Enterprise Ireland
Ian Talbot	Chief Executive, Chambers Ireland
Patrick Walsh	Managing Director, Dogpatch Labs
Jim Woulfe	Chief Executive, Dairygold Co-Operative Society Limited

Representatives from the Departments of the Taoiseach, Agriculture, Food and the Marine, Communications, Climate Action and Environment, Education and Skills, Housing, Planning and Local Government, Finance, Justice and Equality, Public Expenditure and Reform, Transport, Tourism and Sport and Employment Affairs and Social Protection attend Council meetings in an advisory capacity.