

## Minutes for NCC Meeting 102

Meeting: National Competitiveness Council No 102  
Venue: WebEx Audio Visual  
Date: 8.30 am – 10.30 am, Thursday 15 October 2020

### Members Present:

Dr Frances Ruane, Chair  
Ciarán Conlon, Director of Public Policy, Microsoft, Ireland  
David Hegarty, Assistant Secretary, Department of Jobs, Enterprise and Innovation  
Dirk Pilat, Deputy Director for Science, Technology and Innovation, OECD  
Fergal O'Brien, Director of Policy and Chief Economist, Ibec (joined after the first 30 minutes)  
Ian Talbot, Chief Executive, Chambers Ireland (attended first 30 minutes)  
Isolde Goggin, Chair, Competition and Consumer Protection Commission  
Jim Woulfe, Chief Executive, Dairygold Co-operative Society Limited  
Julie Sinnamon, Chief Executive, Enterprise Ireland  
Kevin Callinan, General Secretary, Fórsa  
Martin Shanahan, Chief Executive, IDA Ireland  
Margot Slattery, Country President, Sodexo Ireland  
Micheál Collins, Nevin Economic Research Institute  
Patrick Walsh, Managing Director, Dogpatch Labs  
Pat Beirne, Chief Executive Officer, Mergon Group

### Advisors

David Moloney, Department of Public Expenditure and Reform  
Geraldine Hurley, Department of Social Protection  
John J O'Callaghan, Department of Justice and Equality  
John McCarthy, Department of Finance  
John Shaw, Department of the Taoiseach  
Maria Graham, Department of Housing, Planning and Local Government  
Patricia Cronin, Department of Communications, Climate Action and Environment  
Ray O'Leary, Department of Transport, Tourism, and Sport  
William Beausang, Department of Further and Higher Education, Research, Innovation and Science  
Sinead McPhilips, Department of Agriculture, Food and the Marine

### Secretariat

Marie Bourke  
Oliver Gilvarry (in attendance as observer)  
Manus O'Donnell  
Linda Kane  
Santosh Aryal  
Tamsin Greene Barker

### 102.1 Chair's Introduction, Minutes & Matter Arising

- The Chair thanked the outgoing Council advisors and wished them well in their new roles.
  - Carol Baxter, Assistant Secretary, DOJ
  - John Conlan, Assistant Secretary, DEASP
- The Chair welcomed the new advisors, appointed by their respective Departments, to the Council.
  - John J O'Callaghan, Assistant Secretary, DOJ
  - Geraldine Hurley, Assistant Secretary, DSP
- The minutes from NCC Meeting 101 were approved.

### 102.2 Productivity Research to Inform Policy in Ireland

The Chair introduced the main topic of the meeting – a discussion on productivity – referring to the paper prepared by the Secretariat and circulated last week. The paper was circulated ahead of the meeting to provide the Council with some background material on the current state of play in the productivity research sphere in Ireland in order to provide some context and to stimulate discussion. Also circulated ahead of the meeting was a presentation from Dirk Pilat who summarised the OECD work on productivity and informed the Council on aspects of productivity research undertaken in other countries.

Council Member Dirk Pilat presented on the following:

- OECD's productivity analysis framework – Aggregate & firm-level
- Productivity drivers
- Policy context

Key highlights:

- Productivity gaps – firms' productivity that lag the global frontier in their sectors.
- Characteristics of the leaders and laggards within the different size categories need to be examined including entry and exit rates - MNEs, SMEs (start-ups at early stages, established firms, impact following acquisitions of SMEs and presence of lifestyle companies).
- Growing divergence between bottom firms and average firms across the OECD.
- Productivity divergences lead to divergence in wages and inequality across countries.

Drivers of Productivity

- Tangible & Intangible capital - firms are investing more and more in intangibles (IP, R&D, software, data, organisational capital & skills). The shift to services is resulting in less physical investment so gross fixed capital formation is declining. The shift to cloud services is also contributing to this decline.

- The investment in ICT/digital is not translating into improvements in measured productivity. It would be informative to explore the diffusion of digital technologies in Ireland and the complementary investment in skills, data and organisational capital.
- Absorptive capacity of firms is particularly relevant in the context of the growth in productivity in Irish SMEs.
- Human Capital and Skills are key determinants of firm level productivity. These include Digital skills, Management skills and skills mismatches. There are differences between leaders and laggards in relation to human capital - the OECD evidence suggests laggard firms typically have more low-skilled workers.
- There are linkages between digital infrastructure and productivity e.g. Broadband. Digital technology diffusion in firms is an issue and how SMEs, in particular are adjusting to digital technologies.
- Structural Changes and their impact on productivity are important – e.g. move from manufacturing to services, remote working developments.
- Important to consider the linkages between trade, engagement in global value chains, infrastructure, the higher education system and their links with productivity.
- Regulation and its impacts on firm entry/exit is important for business dynamism.

During the roundtable discussion, the overarching issues discussed were:

- Does the OECD's work in relation to the impact of the Government's response to the pandemic on firm dynamism provide evidence that Government support measures are slowing firm exits or preventing the necessary reallocation of capital and labour?
- What are the variations in productivity in Ireland's leading firms compared to those in other OECD countries? (Ireland's mid-sized company leaders could be viewed as more equivalent to leaders in other countries and they should be the focus of the Council, i.e., focus on the non-MNCs based in Ireland from analysis).
- Evaluation of past policy interventions and their impacts are very important.
- There are issues around timeliness and quality of data for sectoral/firm level analysis. There are also issues around GVCs.
- Examining public sector productivity is difficult as it raises complex issues of measurement; e.g. staff salaries are currently used as proxies for value added in sectors such as education and health. The OECD focus is on the business sector rather than the public sector.

- Remote working and productivity was briefly discussed and data would be required at an early stage to facilitate research on the impact of remote working on productivity.

The Chair concluded the discussion of OECD work by thanking Dirk on behalf of the Council for the presentation. She acknowledged that a lot of the work in productivity tends to be cross national which was in line with the Council's philosophy, and that the OECD will be an important source for the Council.

Linda Kane presented a high level overview of productivity research in Ireland in recent times to facilitate the discussions on future priority themes for productivity research. The presentation included:

- Productivity research in Ireland in recent years - Macro and Micro level
- Data Issues
- Creation of a Productivity Hub

**Members comments:**

- Some raised concern around the Council's messaging in the past especially around exposure to economic shocks because of the concentrated nature of FDI-dominated sectors of Pharma and ICT which in the midst of the COVID-19 pandemic contributed to shoring up the economy.
- The focus should be on those companies with low productivity and identifying policy to address them rather than on the productivity gap between MNEs and SMEs.
- More focus needs to be on research at firm level and particularly on the absorptive capacity of Irish SMEs.
- Some suggested the need for a clear programme of work over the medium term, so that it can deliver on the priorities set by the Council. This could include research on the issues through the 'Brexit lens' and a focus on those firms/sectors that will be most impacted from 1 Jan 2021. Consideration could be given to an analysis of policy interventions needed at a sectoral level to improve productivity.
- There was a consensus that the Council needs to move more from macro analysis of the economy to more micro level analysis. Getting beneath the aggregate into granular data, including case studies. Also, it is important for the Council not just to limit its work to within the economy analysis but to extend across economies. Ireland's productivity performance needs to be looked at in the context of comparator countries, identifying gaps, and have a detailed map of what policy interventions are needed.

Secretariat to consider the feedback and revert to the Council

- It was suggested that the Council should focus more on structural policies and interventions that are needed to enhance productivity at a firm level.
- Focus is also needed on sectoral and regional aspects.
- Understanding the linkage between remote working and productivity is important; however the data from official sources is likely to be very limited in the short run.
- As regards sector productivity, the distribution, transport and logistics sectors might be considered given their importance to the competitiveness of a number of other sectors across the economy.
- Consideration might be given to the spillover impacts across the economy of having low productivity sectors, e.g. how does the low productivity in retail affect the wider economy.
- There was consensus on the establishment of Productivity Hub to better co-ordinate research resources across the public sector and the higher education institutions. We could learn from other countries such as New Zealand and UK where similar networks exist.
- The Council need to draw on the productivity research, analyse the implications for policy and identify appropriate policy interventions.
- Access to granular data will be necessary to undertake firm level/sectoral productivity. It was acknowledged that data gaps exist and may persist for the short term and we need to identify what these are and how they can be addressed.
- Need for more linking in with the policy making process. For example, linking in with the Government's SME Growth Task Force which is going to be publishing its report soon.

The Chair concluded by informing the Council of her recent phonecall with Eurostat in relation to productivity data. She informed the members that the discussion was constructive and there is a good understanding and momentum behind the need for quality productivity data across the EU.

### 102.3 NCC Workplans for 2021

- The Chair proposed that the Council adopt a more flexible approach to the 2021 workplans given the changes in the economic landscape due to COVID-19. Her proposals included:
  - Producing timely bulletins, including developments and further analysis of themes in the Challenge 2020 report. Bulletins could be considered on topics such as:
    - COVID-19
    - Brexit
    - International Competitiveness Rankings

<ul style="list-style-type: none"> <li>○ Taking deep dive into some the issues highlighted in the Council’s Challenge report</li> <li>○ In the light of COVID-19 and the uncertainty through to 2021, it was suggested that the annual Scorecard Report would not be done in 2021</li> </ul> <p><b>Members comments</b></p> <ul style="list-style-type: none"> <li>○ There was consensus among the members on the Chair’s proposed approach.</li> <li>○ Some mentioned that there was a survey done recently on UK enterprises and how they responded to COVID-19 and this could be interesting in the context of Ireland.</li> <li>○ It was suggested that the Council provide a short commentary on productivity from time to time – including on laggards firms and linking to potential productivity improvement in the area of skills.</li> <li>○ All members agree that the short digests of information would be very useful.</li> <li>○ Some members highlighted the need for the Council to conduct more frequent communication with the wider audience. Social media presence was also mentined.</li> <li>○ Given the COVID situation, it is important for the Council to look at the impacts of working from home.</li> <li>○ Public sector productivity could also be considered for a Bulletin.</li> <li>○ Commentary on issues around digitalisation, AI and impact on productivity would be worth considering.</li> <li>○ Indecon is currently finalising its report on the Future Funding Model for Higher Education and the Council might consider drawing on this work when it is completed at the end of the year.</li> </ul> <p>The Chair concluded by updating the Council that the Taoiseach renewed the pledge to response to NCC recommendations in the Annual Competitivenss Challenge Report in Q4 and need for the Council to develop a response plan. It was agreed that she will consult with members following the Government’s response.</p>	<p>Members shared the link on some of the material the Council could look into</p> <p>Secretariat to consider the members feedback</p>
<p><b>102.4 NCC Strategic Review - Progress Update</b></p> <ul style="list-style-type: none"> <li>▪ Manus updated the Council on the progress on the action points agreed in the Council’s Strategic Review meeting in February. <ul style="list-style-type: none"> <li>○ <b>Completed</b> - Updated terms of reference, Name change to the National Competitiveness and Productivity Council (subject to approval by Government expected in October/November) the</li> </ul> </li> </ul>	<p>Secretariat to submit updated TOR to the Tánaiste and for Government’s approval in October/November.</p>

<p>change of logo and templates, MOU for members and MOU for advisors.</p> <ul style="list-style-type: none"> <li>○ <b>Work-in-progress</b> – stakeholder engagement in the context of the Council work plans and Challenge themes and updates to the Council’s website.</li> <li>▪ Manus also updated the Council on the progress in relation to the establishment of the productivity hub – slow progress due to COVID.</li> </ul>	<p>Secretariat shared new logo with the members</p> <p>Secretariat to update Council in the next meeting</p>
<p><b>102.5 Communications</b></p> <ul style="list-style-type: none"> <li>○ The Chair informed the Council about the launch of the Engineers Association of Ireland’s report 'The State of Ireland 2020: Engineering a green and digital recovery'. She had been invited to attend the panel discussion but was unable to attend due to the event clashing with the today’s Council meeting. The Secretariat will forward the report to Council members.</li> </ul>	
<p><b>AOB</b></p> <ul style="list-style-type: none"> <li>○ The Chair informed the members about the upcoming retirement of Ian Talbot from the Council on 31 December. She thanked him for his contribution and wished him well in his future endeavours.</li> <li>○ The Chair informed the Council that the NCC head secretariat Marie Bouke will be leaving that role and that Oliver Gilvary, Department of Finance will be taking on the role of chief economist in the Department of Enterprise, Trade and Employment and this will include heading the secretariat to the Council. The Council joined the Chair in thanking her for her contribution and service to the Council over the years and wished her well in her new role.</li> <li>○ The Council also said farewell to Tamsin Greene Barker who is taking a career break to undertake a degree in psychology at University College London. The Council wished her well in her further studies.</li> <li>○ Dates for the Council meetings in 2021 will be circulated over the coming weeks once the work plans for 2021 are scoped.</li> </ul>	<p>Secretariat to inform members about date of the next meeting</p>