



Opening Statement

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for the

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Introduction

A Cathaoirleach, thank you for the invitation today to present to the Committee on the recently published *Ireland's Competitiveness Challenge 2021*. I would like to pass on the apologies of Dr. Frances Ruane, Chair of the National Competitiveness and Productivity Council (NCPC) who, due to family commitments outside the country, cannot attend today.

I am Oliver Gilvarry, Head of the NCPC Secretariat and I will be representing her here today. I am also accompanied by my colleague Linda Kane, Economist in the NCPC Secretariat.

Background to National Competitiveness and Productivity Council (NCPC)

The National Competitiveness Council (NCC) was established by Government in 1997 under the Partnership 2000 Agreement. The Council serves as an independent voice and reports in an advisory capacity to the Taoiseach and the Government, through the Minister for Enterprise, Trade and Employment, on issues affecting competitiveness and productivity in the Irish economy.

Initially, the Council's mandate was concerned with competitiveness issues. However, issues concerning productivity have seen increased policy focus in all advanced economies since the establishment of Council. This has been in response to the slowing pace of productivity growth in that period despite significant technological advancements.

The importance of supporting productivity growth has been recognised by the European Union and in 2016 the European Council recommended the establishment of National Productivity Boards by all Euro-Area countries. In March 2018, the Government designated the then NCC as the body responsible for analysing developments and policies in the field of productivity and competitiveness in Ireland, and this was reflected in its change of name to the NCPC in 2020.

The Council members, who serve in a voluntary capacity, are appointed by the Minister for Enterprise, Trade and Employment and are drawn from civil society (e.g. union representatives, business representatives, business persons, and academia). These members bring to the table an understanding and experience of the factors that affect the competitiveness of the Irish economy and of the policy domains that can influence productivity levels in Ireland.

While the Council's mandate is wide, involving both macro and micro perspectives on the economy, the Council's particular focus is on competitiveness and productivity issues. It recognises the roles that other bodies that have been created since its establishment and it draws on rather than duplicates their work. The Council's work is underpinned by research and analysis providing an evidence-base for its policy recommendations. On a regular basis, the NCPC publishes two benchmark statistical reports:

- the Costs of Doing Business in Ireland report which compares enterprise costs in Ireland with those in key competitors; and
- Ireland's Competitiveness Scorecard, which assesses Ireland's wider competitiveness performance including costs.

Each year the Council publishes Ireland's *Competitiveness Challenge*, that outlines the main challenges to Ireland's competitiveness, and makes policy recommendations to address these. Since last year the Government, through the Department of An Taoiseach, issues a formal response to the Council's Competitiveness Challenge recommendations. It is expected the response to this year's Report will be published prior to the end of November.

In addition to these main deliverables, the Council also produces a series of short bulletins on specific competitiveness issues. For example, so far in 2021 there has been a number of bulletins issued by the Council examining topics such as remote working, insurance costs and international competitiveness rankings.

I will now provide an outline of the main issues discussed in this year's Competitiveness Challenge.

Ireland's Competitiveness Challenge 2021

At the start of the pandemic the Government, moved quickly to introduce a suite of supports for employees and businesses. The cost of these measures has totalled in excess of €38bn or almost a fifth of national income as measured by GNI* but these measures have helped to avoid an even more severe recession and massive economic hardship.

The Council in this year's Competitiveness Challenge has made clear that in the short-term there is a continuing need to support workers and businesses as the economy re-opens and restrictions are relaxed.

However, these immediate challenges resulting from the pandemic should not distract Ireland from addressing structural weaknesses that work against long-run competitiveness and more widespread productivity growth. In addressing these longer-term issues, the Council strongly believes that a systemic policy approach is required, with careful sequencing of targeted actions that can generate the greatest impact in the near term and position the economy for medium to long-term sustainable growth. This will require policy makers to tackle some major issues that have proven intractable in the past.

The Council has made 20 tangible, actionable policy recommendations to the Government in a number of key strategic areas which address both immediate competitiveness issues, and more medium-term challenges, aimed at enhancing Ireland's competitiveness and productivity performance.

I will now outline these in more detail, starting with the immediate challenges identified by the Council.

Immediate Issues facing the economy

The Economic Recovery Plan published by Government in July, along with the recent Budget, has outlined the Government's plan for phasing out the various supports provided to businesses as the economy recovers. This will require moving away from the broad-based supports provided to all businesses during the pandemic to identifying those businesses/sectors that may continue to need support but who have the ability to grow in the future. This will require designing appropriate new support mechanisms that will target aid to businesses that are viable but vulnerable.

As this process begins for withdrawing support schemes, and better targeting others, it is vital that we have the appropriate insolvency framework in place in Ireland to help struggling businesses restructure. The recently introduced new regime that provides an alternative route for smaller businesses to restructure their liabilities (the Small Companies Administrative Rescue Programme, SCARP) is an important step.

While it is important to support businesses as they transition to the new post Covid environment, it is equally important that employees that have either been out of work and in receipt of Pandemic Unemployment Payment (PUP), or who may lose their jobs in those businesses that will close or restructure in the coming weeks and months, continue to be supported.

To successfully manage this process, the Government will need to allocate its resources to aid workers impacted by the pandemic, alongside and in line with the supports for businesses. This will include the ability for firms to access help to pay mandatory redundancy or to ensure that workers are not disadvantaged from having a break in service due to PUP when their mandatory redundancy is being calculated.

In helping people back to work, the Economic Recovery Plan includes a pillar focused on that objective. The plan's objective to have 2.5 million back at work by 2024 is welcome, but it is critical that the required actions are undertaken quickly, and that there is a focus on those aged under 25.

The *Pathways to Work 2021-2025 Strategy* will need to ensure this is achieved and the Council welcomed the specific focus this has on younger workers. In particular the ringfencing of roles for younger workers on Workplace Experience Programmes, promoting apprenticeships and incentives for employers when recruiting younger workers.

The focus on apprenticeship as a core skills development option for employers across all sectors of the economy, and for workers across all sections of society, is one that can make a significant contribution to addressing Ireland's skills needs, especially in response to the changes being brought about by the green and digital agendas.

Medium-to-Long-Term Challenges

As I stated earlier, these short-term challenges facing the economy should not distract policy makers from dealing with structural weaknesses that work against long-run competitiveness and productivity growth.

The pandemic has ushered in new ways of working for many people in certain sectors and occupations. In turn, these may open up possibilities for new ways of living, potentially improving quality of life. In the face of these changes, Ireland must have a clear vision on our collective priorities in the years ahead.

Our competitiveness and productivity performance must deliver for all parts of society, and this will require concerted effort from consumers, employees, enterprises and Government. The Council has recommended to Government that, over the next decade, four key competitiveness and productivity strategic challenges should be focused on.

1. Ireland needs to have a dynamic business environment that supports entrepreneurs and enhances employment opportunities. To achieve this, it will be important that Ireland addresses the levels of costs that businesses face in operating in Ireland. The Council has focused on the cost of insurance, legal costs and the cost of credit and has made a number of recommendations in these areas.
2. Ireland's productivity growth needs to be more broad-based, requiring policies to be put in place to boost the productivity of indigenous Irish firms. To achieve this objective the Council has a number of recommendations including:
 - (i) support for research in the area of productivity growth;
 - (ii) assistance for new ways of working, including remote working; and
 - (iii) provision of the appropriate training and upskilling initiatives so that workers have suitable skills for the future world of work, including the need for employees to have the appropriate management skills for this new environment.
3. Ireland needs to address the delivery of key housing infrastructure, together with other critical social and economic infrastructure projects. In addition to its vital direct contribution to national living standards, Ireland's housing market should not generate pinch points that could damage long-run competitiveness. Housing is also not the only vital infrastructure needed and other critical areas include water and waste-water, electricity, communications and transport infrastructure. The attractiveness of a location cannot be focused solely on it as a place to work, but also on it as a place to live. In delivering on the affordable housing objectives of the Government's *Housing for All Strategy*, it will be important to also address the availability of other essential services for sustainable living in Ireland. It is critical that the needs of social infrastructure in the areas of childcare, health and social care and in education are not ignored.
4. To progress sustainability and inclusivity policies as a matter of priority to ensure that the Irish economy is less vulnerable to economic shocks and plays its part in the global effort to avoid a climate disaster. The Council has identified the need to make substantial and sustained progress on the

Climate Action Plan along with the need for research on the interaction between competitiveness and measures to address climate change.

Conclusion

To conclude, this year's Ireland's Competitiveness Challenge Report has highlighted a number of short-term and medium-term challenges facing the Irish economy and has made recommendations on these to Government.

While the Council recognises these challenges, it has also drawn attention to the potential opportunities in the form of new ways of working, such as remote working.

These opportunities can present possibilities for new ways of living, and potentially deliver real improvements in the lives of people based in Ireland, with sustainability and inclusivity at the core.

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