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PRESS RELEASE: Firm Dynamism and Productivity

Today (16 November), Dr. Frances Ruane, the Chair of the National Competitiveness and Productivity Council (NCPC), issued the Council's bulletin on Firm Dynamism and Productivity ([here](#)).

Firm dynamism refers to the process of firm entry, growth, and exit. International evidence shows that new and young firms are key to boosting aggregate productivity growth through job creation and the introduction of new business models and innovations. This Bulletin discusses why firm dynamics matter, firm dynamics in Ireland over the past decade, and the impact of the COVID-19 pandemic on aspects of firm dynamics in Ireland, along with some implications for policy.

A functioning business environment, where labour and capital resources are efficiently reallocated to the most productive activities, is crucial for long-run aggregate productivity growth, and appropriate policies are required to support enterprises through the whole life cycle, from start-up, through the growth phase, to closure.

The Bulletin notes that the enterprise birth rate in Ireland has generally been significantly lower than the rate observed in other European countries, while the enterprise death rate in Ireland has also been lower than in our European counterparts. Further research and analysis is needed in Ireland to understand why this is the case and whether new policy interventions could positively contribute to Ireland's productivity growth, by facilitating resource reallocation from less productive firms to young high-growth enterprises.

The COVID-19 pandemic resulted in an unprecedented shock to the Irish, and global, economy with many enterprises experiencing severe financial distress. Government support schemes provided some relief, but as the process evolves for withdrawing support schemes, it is equally important that we have the appropriate insolvency framework in place in Ireland to help businesses restructure. The NCPC welcomes the recently introduced Small Company Administrative Rescue Process (SCARP) which aims to simplify the restructuring process for viable small companies in a way that is timely and cost effective. As the economy and society continue to open, another key policy focus will be on those workers in vulnerable sectors and enterprises that may not recover and who will need to be supported to upskill and retrain for employment in other high-growth sectors.

Dr Ruane said: *"Appropriate policies are required to support enterprises through the whole life cycle in a functioning and dynamic business environment that will strengthen the speed and inclusiveness of the post-COVID-19 recovery."*

Dr. Ruane also said *"Further research is needed in order to identify the appropriate policy interventions that will support higher entry, exit and churn rates, and positively contribute to Ireland's productivity growth."*