

16 September 2022

## Press Release

### Driving Productivity – Four strategic challenges to strengthen competitiveness and achieve sustainable and inclusive growth in the Irish economy

- NCPC highlights 20 targeted and actionable recommendations to Government which will build towards a sustainable and inclusive economy, underpinned by broad based productivity growth, an adaptable and highly skilled workforce, adequate physical and social infrastructure, and manageable business costs.

Today (16 September 2022), the Chair of the National Competitiveness and Productivity Council (NCPC), Dr Frances Ruane, launched *Ireland's Competitiveness Challenge 2022* report. The *Competitiveness Challenge 2022* notes that ongoing supply chain disruptions, rising inflation worldwide and geo-political uncertainty linked to the Russian invasion of Ukraine, have triggered a global cost of living crisis. The exceptional inflation is centred particularly on steep increases in the prices of energy and food and has added to the high level of uncertainty surrounding the global and domestic economic outlook. These risks to the Irish economy make it even more vital that the Government exercises the levers under its control to improve Ireland's competitiveness and productivity position. As well as immediate competitiveness issues which require urgent attention, the NCPC has identified in its *Challenge Report 2022* four broad medium- and long-term strategic areas where actions are needed now to enhance Ireland's competitiveness and productivity performance.

On launching the report Dr Ruane said *"The Russian invasion of Ukraine has generated massive uncertainty in relation to energy and food supplies globally, with economies facing the highest inflation rates in over three decades. In the face of these rising inflation rates, Central Banks are now raising interest rates. We must do what we can to mitigate the worst impacts of cost increases in ways that do not risk inflation becoming embedded to the detriment of competitiveness, future prosperity and improved wellbeing."*

The *Competitiveness Challenge 2022* report identifies four broad medium- and long-term strategic challenges aimed at enhancing Ireland's competitiveness and productivity performance.

- Boost broad based productivity growth;
- Enhance labour market performance;
- Support infrastructure investment for a better future; and
- Manage the costs of doing business.

In the *Competitiveness Challenge 2022* report, the Council makes 20 targeted and actionable recommendations to Government which are intended to build towards a sustainable and inclusive

economy, underpinned by broad based productivity growth, an adaptable and highly skilled workforce, adequate physical and social infrastructure, and manageable business costs.

Dr Frances Ruane added: *“The Council calls for the Government to commit to achieving a competitive and productive economy that delivers sustainable economic growth and benefits all of society in the years ahead. To this end, the Council has identified a number of key strategic areas where actions are required to achieve a sustainable and inclusive economy underpinned by broad based productivity growth, an adaptable and highly skilled workforce, adequate physical and social infrastructure, and manageable business costs”.*

*“The Council looks forward to receiving the Government’s formal response to the Competitiveness Challenge recommendations in the coming months. Following the practice in the past two years, the Government will be publishing its response, a development which the Council believes contributes significantly to the transparency of policy making in this area”.*

**ENDS**

**NOTES TO EDITORS**

## Ireland’s Competitiveness Challenge 2022

*Ireland’s Competitive Challenge 2022* is built on the best available domestic and international research. The report makes targeted and actionable recommendations to Government on the best ways to improve the competitiveness and productivity of the economy. Along with immediate issues facing the Irish economy, each of the four medium- to long-term challenge areas are explored in detail in a distinct chapter of the report. The following section provides a high-level overview of main findings in each chapter.

### Chapter 1: Immediate Issues facing the Irish Economy

The Challenge Report notes that inflationary pressures have been mounting globally since the latter half of 2021, due to the rapid recovery in consumption in the aftermath of COVID-19, international supply chain bottlenecks, and base effects relating to weak price trends in 2020. The Russian invasion of Ukraine in February 2022 has put further strong upward pressure on global prices, particularly in energy markets, with many countries now recording the highest rates of inflation since the 1970s. The exceptional rise in inflation in Ireland in recent months has begun to erode real wages, with disposable incomes and living standards coming under strain.

The Report also notes that enterprises are grappling with a new business environment as COVID-19 related financial supports have been withdrawn and vulnerable firms in sectors that were highly impacted by disruptions over the past two years must reposition themselves in the post pandemic environment.

## Chapter 2: Boosting Productivity Growth

Boosting productivity is key to ensuring the long-run competitiveness of Irish enterprises and is especially important as Ireland seeks to reinvigorate the domestic economy in the wake of the COVID-19 related shock and build resilience against global uncertainties following the Russian invasion of Ukraine. The potential productivity renaissance in the aftermath of these global disruptions can be further supported by the twin digital and climate transitions currently underway. While these transitions can provide opportunities for Irish firms to gain market share in new technologies and new industries, the associated costs will need to be managed carefully in an increasingly constrained fiscal environment with rising interest rates. In order to seize productivity-enhancing possibilities in the wake of COVID-19 disruptions and the twin transitions, it is essential that the appropriate policies are in place to support Irish enterprises as they transform. More widespread and sustained productivity growth is key to improvements in living standards. The Council acknowledges the importance of further research and analysis to more fully understand how policies can be designed to enhance productivity growth, especially amongst the increasingly diverse domestic sector.

## Chapter 3: Enhance Labour Market Performance

Engaging the potential domestic labour force is key for Ireland's competitiveness and productivity. Increasing participation of underrepresented groups, such as females, older people and people with disabilities, is crucial to enhance the performance of Ireland's labour market and to ensure a fairer and more inclusive society. Additionally, increasing the quality of labour supply by continuing to meet the skills requirements of the economy is vital if we are to have productivity growth where the skills match the areas for potential for growth in the economy. In particular, the skills to facilitate the climate and digital twin transition are crucial. Good working conditions are essential for attracting and retaining talent to Ireland's labour market; however, we must seek to understand the potential impact these better working conditions may have on Irish firms in terms of increased costs. Addressing these issues will enhance Ireland's labour market performance, and therefore our competitiveness and productivity, into the medium and long term.

## Chapter 4: Infrastructure Investment for a Better Future

A continued focus is required on improving the delivery of infrastructure if Ireland is to meet its targets across multiple domains including housing, energy, and water. Given the commitment to ongoing expansion of capital investment in key areas of infrastructure, it is critical that blockages and bottlenecks are resolved so that the available funding can be utilised effectively and without delay. This will be important in securing the country on a path where it has the capacity to achieve sustainable long-term growth and in ensuring Ireland remains competitive internationally. In particular, increased innovation in the construction sector is critical for raising output in a tight labour market. Other areas which are highlighted include improved planning to facilitate infrastructure, identifying ways to facilitate greater investment in and delivery of energy infrastructure, and a continued focus on improving our water infrastructure.

## Chapter 5: Managing the Costs of Doing Business

Although Ireland has always had relatively high costs over recent years, this position is now exacerbated by the rise in inflation. These new inflationary pressures began mounting in the latter half of 2021 due to global supply chain problems and the rapid recovery in consumption in the aftermath of COVID-19. The Russian invasion of Ukraine intensified these pressures with input prices, especially energy prices spiking, followed by food and other commodities. Inflation is a global issue and as a small, open economy and price taker on international markets, many of the drivers of Irish inflation are outside our control. The focus should be on implementing domestic reforms to boost productivity and reduce costs where possible.

The cost of credit, the cost of insurance and the cost of legal services are longstanding issues for Ireland and particularly impact on the costs of SMEs operating in the domestic market. The Council welcomes recent reforms in these areas; however, challenges remain in the domestic market and more reforms are needed to reduce costs in order for Irish firms to continue to compete internationally. The Council also acknowledges the importance of further research alongside more granular official statistics in these areas to best identify policy to reduce business costs and boost Ireland's competitiveness position.

The full report and the list of recommendations are available [here](#).

### The National Competitiveness and Productivity Council

The National Competitiveness and Productivity Council (NCPC) reports to the Taoiseach and the Government, through the Minister for Enterprise, Trade and Employment, on key competitiveness and productivity challenges facing the Irish economy and offers recommendations on policy actions required to address these challenges. Following the European Council recommendation in September 2016 and subsequent Government decision, the NCPC was designated as Ireland's National Productivity Board, tasked with analysing developments and policies in the areas of productivity and competitiveness.

Since 1997, in accordance with the NCPC's Terms of Reference, the Council has published its flagship policy report *Ireland's Competitiveness Challenge*.

Following the same timeline as last year, the *Competitiveness Challenge* publication date is September, so that its recommendations can feed into the October Budget and into the European Semester process.

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

The members of the Council are:

Dr. Frances Ruane	Chair, National Competitiveness and Productivity Council
Laura Bambrick	Head of Social Policy & Employment Affairs, ICTU
Leo Clancy	Chief Executive, Enterprise Ireland
Ciaran Conlon	Director of Public Policy, Microsoft, Ireland
Jeremy Godfrey	Chair, Competition and Consumer Protection Commission
David Hegarty	Assistant Secretary, Department of Enterprise, Trade and Employment
Neil McDonnell	Chief Executive, ISME
Fergal O'Brien	Director of Lobbying and Influence, IBEC
Dirk Pilat	Former Deputy Director, Science, Technology and Innovation, OECD
Martin Shanahan	Chief Executive, IDA Ireland
Margot Slattery	ISS World Services, Global Head of Diversity & Inclusion
Michael Taft	Research Officer, SIPTU
Patrick Walsh	Managing Director, Dogpatch Labs
Jim Woulfe	Former Chief Executive, Dairygold Co-Operative Society Limited

Representatives from the Departments of An Taoiseach; Agriculture, Food and the Marine; Environment, Climate and Communications; Further and Higher Education, Research, Innovation and Science; Social Protection; Finance; Housing, Local Government and Heritage; Justice; Public Expenditure and Reform; Tourism, Culture, Arts, Gaeltacht, Sport and Media and Transport attend Council meetings in an advisory capacity.