

PRESS RELEASE

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

- COVID-19 pandemic, Brexit, and heightened international trade tensions are impacting on Ireland's economy
- NCC highlights 20 targeted actions for Government across four key areas to feed into Budget 2021 and the National Economic Plan

Today (25 September), the Chair of the National Competitiveness Council (NCC), Dr Frances Ruane, launched *Ireland's Competitiveness Challenge 2020* report. Building on the Council's previous *Competitiveness Scorecard* published in May this year, the *Competitiveness Challenge 2020* notes that until early 2020 and the onset of the COVID-19 pandemic, the Irish economy remained broadly internationally competitive. However, there are several areas that are critical to a sustained economic recovery where we need to make improvements to reduce the competitiveness gap between Ireland and its international competitors.

On launching the report Dr Ruane said: "*COVID-19 has brought about an exceptional level of global uncertainty, which is compounded in the Irish case by the approaching deadline for negotiating the future trading relationship between the UK and the EU, as well as heightened international trade tensions. As a small, highly open and concentrated economy, Ireland is heavily exposed to external shocks, making it vital that the economy retains its competitive position. At the heart of Ireland's national competitiveness is creating an environment in which Irish businesses are able to compete successfully in international markets.*"

In this context, *Ireland's Competitiveness Challenge 2020* identified four broad challenges that need to be addressed to put the economy on a sound footing.

- Support Ireland's workers and leverage opportunities for upskilling,
- Address climate action in a competitiveness context,
- Invest strategically in Ireland's physical infrastructure, and
- Resolve long-standing issues.

In its report, the Council makes 20 targeted and actionable recommendations to Government on how best to address these challenges.

Starting this year, the Competitiveness Challenge publication date has been brought forward, so that its recommendations can feed into the October Budget and to the European Semester process. This

year it will also feed into the Government's National Economic Plan, providing a focus on strengthening competitiveness and productivity as the recovery process gets underway.

Dr Frances Ruane added: *"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 vital that progress and reform under the four broad areas identified by the Council continues over the course of the coming year to support the economic recovery and to ensure that future balanced growth can bring about an improvement in the standard of living for all of society."*

"The Council is very pleased that the Taoiseach has committed to publishing a formal Government response to our recommendations and the Council looks forward to progress being made in the key areas identified in this year's report".

ENDS

NOTES TO EDITORS

Ireland's Competitiveness Challenge 2020

The Council's earlier publication, *Ireland's Competitiveness Scorecard 2020*, identified four broad challenges that need to be addressed to put the economy on a sound competitiveness footing. Building on evidence presented in the Scorecard, in addition to the best available domestic and international research, the Council has made targeted and actionable recommendations to Government on the best ways to improve the competitiveness and sustainability of the economy as we start the process of recovery. The Council believes progress in these areas will be key to Ireland's economic recovery and to ensuring that future growth is balanced and sustainable, bringing improvements in living standards for all of society.

Challenge 1: Support Ireland's Workers and Leverage Opportunities for Upskilling

The COVID-19 pandemic has had an extraordinary impact on the labour market with more than 1 million people receiving state supports through jobseekers-allowance, the COVID-19 Pandemic Unemployment Payment or the Temporary Wage Subsidy Scheme at the peak of the crisis. The immediate priority must be to prevent unemployment becoming entrenched and efforts should be made to reskill workers from sectors that are not likely to recover quickly. As the recovery begins, it is also important that Ireland continues to meet the skills requirements in the economy, including those associated with COVID-19 and Brexit.

Challenge 2: Address Climate Action in a Competitiveness Context

For many years the Council has emphasised the importance of climate action and pointed to the absence of policy actions to realise Ireland's stated climate goals. The Council is supportive of the momentum both at an EU and national level to address the climate crisis and in this year's Challenge, focuses on enterprises' contribution to climate action. Subject to meeting emissions reduction targets, the Council outlines actions that can be taken to strengthen competitiveness and to support businesses in the transition to a sustainable, carbon neutral economy. In the short-term, CO₂ abatement opportunities and technologies that would enable businesses to decarbonise in line with

Ireland's stated ambition should be identified. Furthermore, Ireland's carbon abatement instruments should be assessed to determine whether they are fit for purpose in meeting national targets. In the long-term, given the enterprise sector's dependence on gas, there is a need for policy clarity on the future of Ireland's gas network and a detailed roadmap for the period 2030-2050 that explicitly sets out the actions, targets and timeframes for the decarbonisation of Ireland's gas network.

Challenge 3: Invest Strategically in Ireland's Physical Infrastructure

It is crucial that the Government continues to invest strategically in the future of the Irish economy. In the wake of the last recession, capital budgets were cut dramatically, leading to significant bottlenecks in our physical infrastructure, most acutely in housing. The Council has welcomed the increase in Government expenditure on capital projects in recent years. It is important that any potential planning issues that may jeopardise key infrastructure projects are identified early in the process to avoid costly delays or revisions and that government bodies at regional levels adopt best practices to maximise efficiency in the business environment, including in managing infrastructure. Continued capital investment in the National Broadband Plan is vital to support wider access to quality broadband services and remote working facilities. Capital investment is also needed to support delivery of our climate action agenda and deficiencies in the housing market.

Challenge 4: Resolve Long-Standing Issues

A number of long-standing issues are identified that continue to impact negatively on the ability of businesses in Ireland to compete. These are difficult issues, for which there are no easy solutions. Lack of progress in achieving the desired outcome from a competitiveness perspective may reflect a resistance to change among entrenched interests and will require concerted efforts across areas of Government and high-level political buy-in to drive reforms forward. For example, Irish businesses face higher interest rates on lending (relative to EU countries). These higher rates are largely driven by prudential banking concerns but may also reflect inadequate competition and a failure to promote adequate awareness of other financial options. Insurance costs are another issue for businesses. The Cost of Insurance Working Group has targeted high and inconsistent award levels in personal injury cases as a primary reason for high premia, which is something the judiciary has begun examining. In relation to legal costs, a Review Group has been established to consider ways of controlling legal costs in Ireland and the Council is supportive of their efforts. The Council has also focused on two issues that impact competitiveness through their impacts on consumer costs – housing and childcare. Successfully addressing these long-standing issues and hence reducing consumer costs would simultaneously improve people's quality of life and businesses' ability to compete internationally.

The full report and the list of recommendations are 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 who holds responsibility for business and enterprise, 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 Enterprise, Trade and Employment.

The members of the Council are:

Dr Frances Ruane	Chair, National Competitiveness Council
Pat Beirne	Chief Executive Officer, Mergon Group
Kevin Callinan	General Secretary, Fórsa
Micheál Collins	Assistant Professor of Social Policy, University College Dublin
Ciaran Conlon	Director of Public Policy, Microsoft, Ireland
Isolde Goggin	Chair, Competition and Consumer Protection Commission
David Hegarty	Assistant Secretary, Department of Enterprise, Trade and Employment
Fergal O'Brien	Director of Policy and Public Affairs, Ibec
Dirk Pilat	Deputy Director, Science, Technology and Innovation, OECD
Martin Shanahan	Chief Executive, IDA Ireland
Julie Sinnamon	Chief Executive, Enterprise Ireland
Margot Slattery	Global Chief Diversity and Inclusion Officer, Sodexo

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; Environment, Climate and Communications; Further and Higher Education, Research, Innovation and Science; Social Protection; Finance; Housing, Heritage and Local Government; Justice; Public Expenditure and Reform; and Transport attend Council meetings in an advisory capacity.