

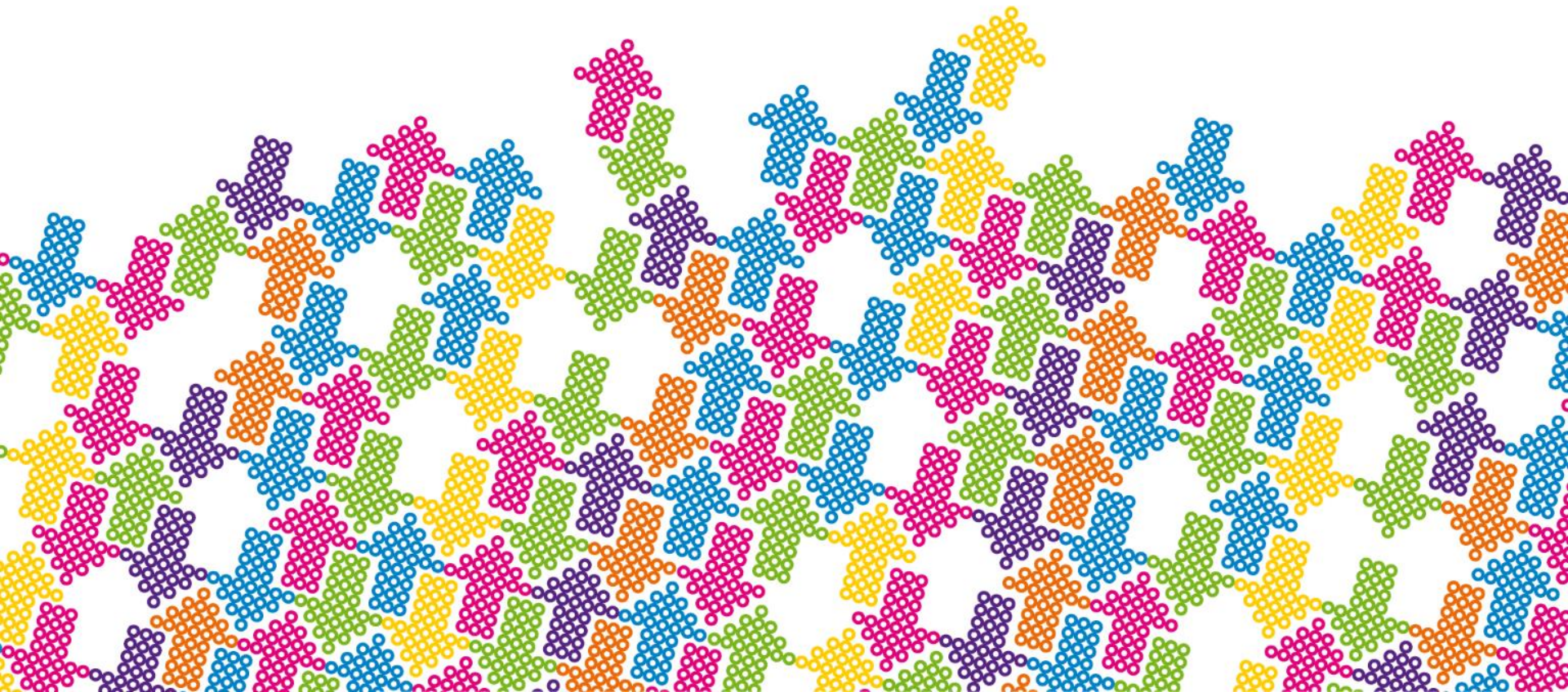


# Ireland's Competitiveness Performance and Challenges Ahead

## Tenth Annual Tourism Policy Workshop

22<sup>nd</sup> November 2019

Dr Frances Ruane - Chair National Competitiveness Council





# Agenda

- Origins of focus on competitiveness in global context
- About the NCC
  - What we do / How we do it
- Ireland's Travel and Tourism Competitive Performance
- Draft Ireland's Competitiveness Challenge 2019
- Productivity Statement 2019 - Key Statistics



# Origins of Focus on Competitiveness

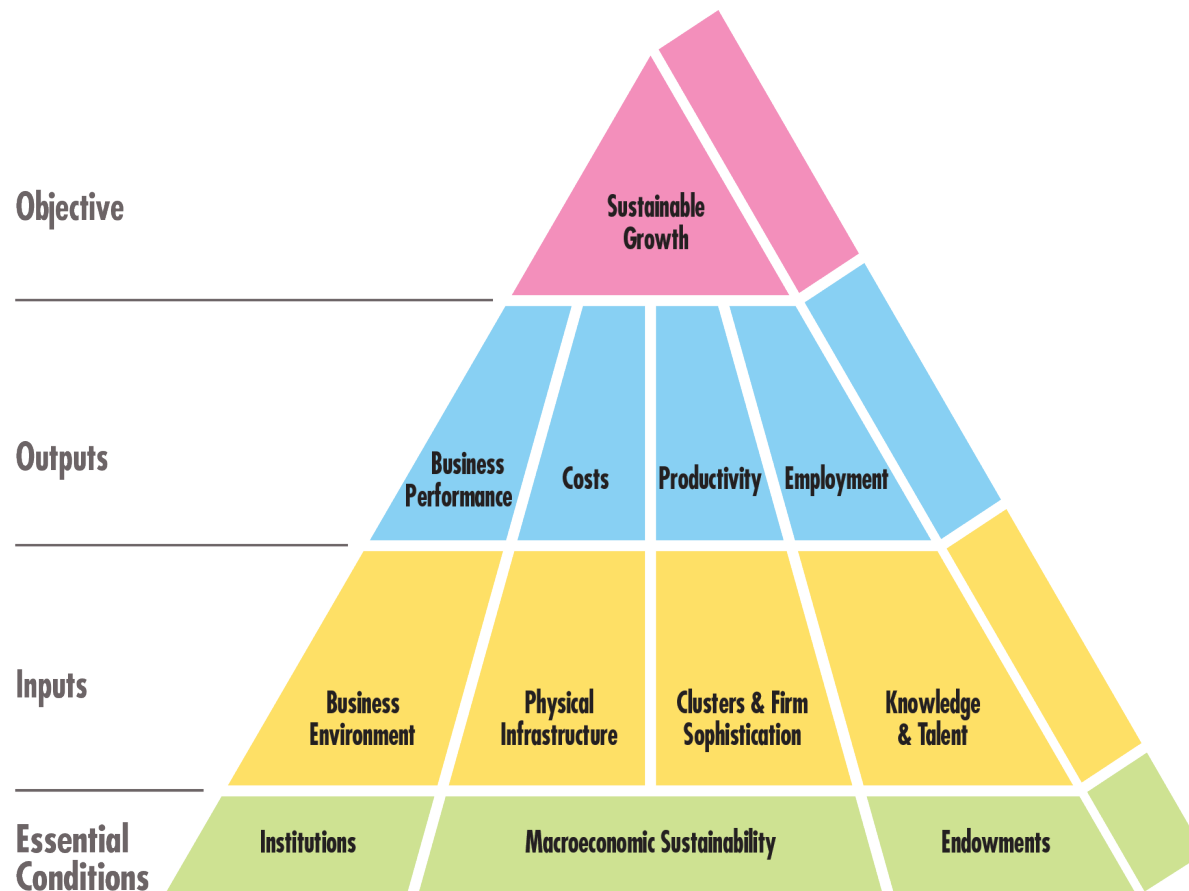
- **Emerging Globalisation Trends**
- **Michael Porter**
  - From company to country competitiveness
- **Culleton Report**
  - The whole environment in which business operates matters – not just the sectoral policies
- **Establishment of NCC (1997)**
  - Whole of government focus - Reports to Taoiseach (Prime Minister) and Government, through Minister for Business, Enterprise and Innovation
  - Social Partnership context
  - Joining up policy making across departments and agencies



# About the NCC

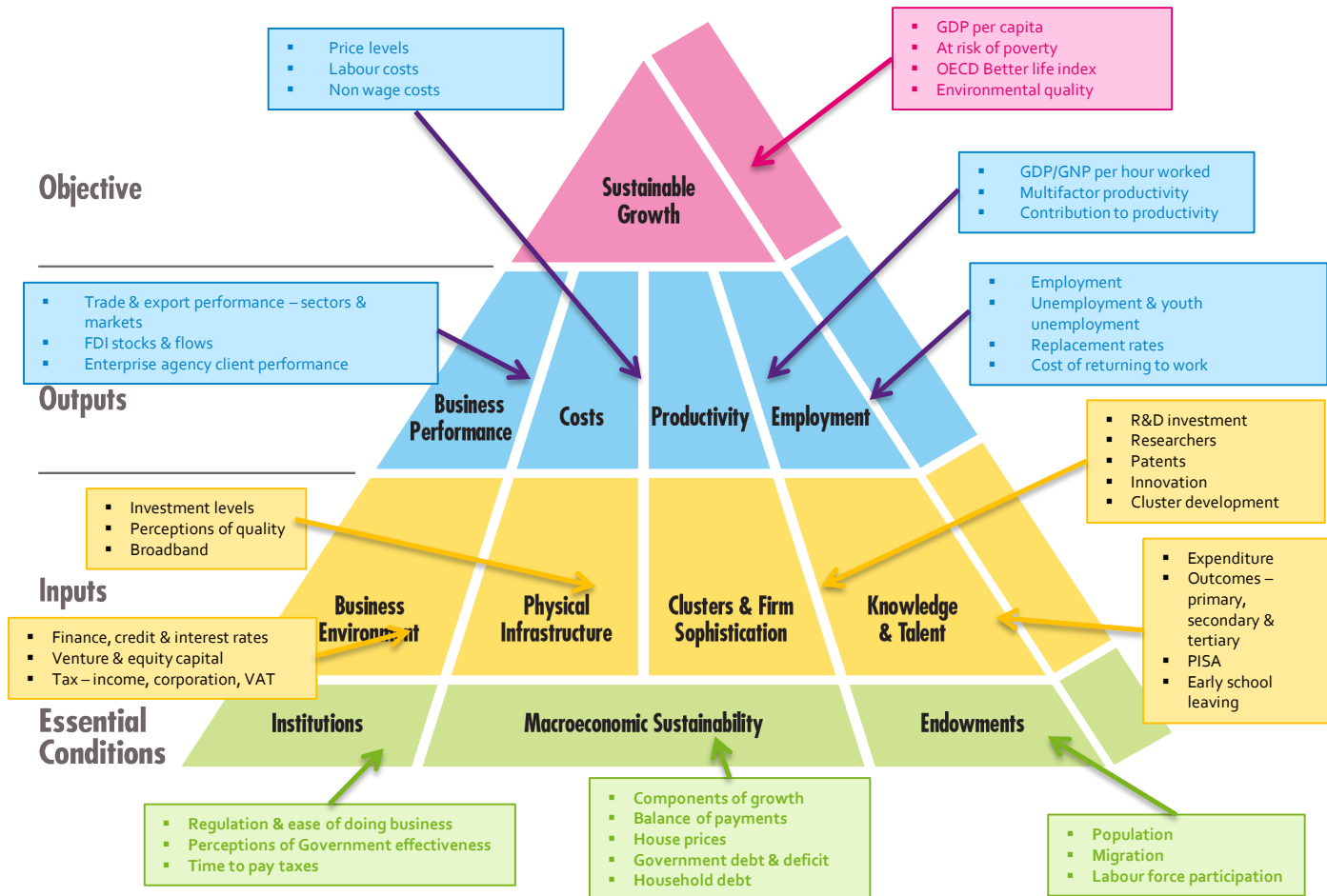
- 1997: Established as Non-Statutory Body
  - **Competiveness Challenge** - identifies challenges for system to respond
- 2018 (March) NCC became Ireland's National Productivity Board – part of EU's strategy on Productivity
  - **Annual Productivity Statement** – new information on Ireland
- Independent Critical Voice championing competitiveness
  - Unbiased
  - Evidence-based (through research)
  - Integrated with government/policy system
  - Active in its communications (e.g. dialogue/advocacy)

# Elements of NCC Competitiveness Framework





# Elements of NCC Competitiveness Framework





# Ireland's Performance

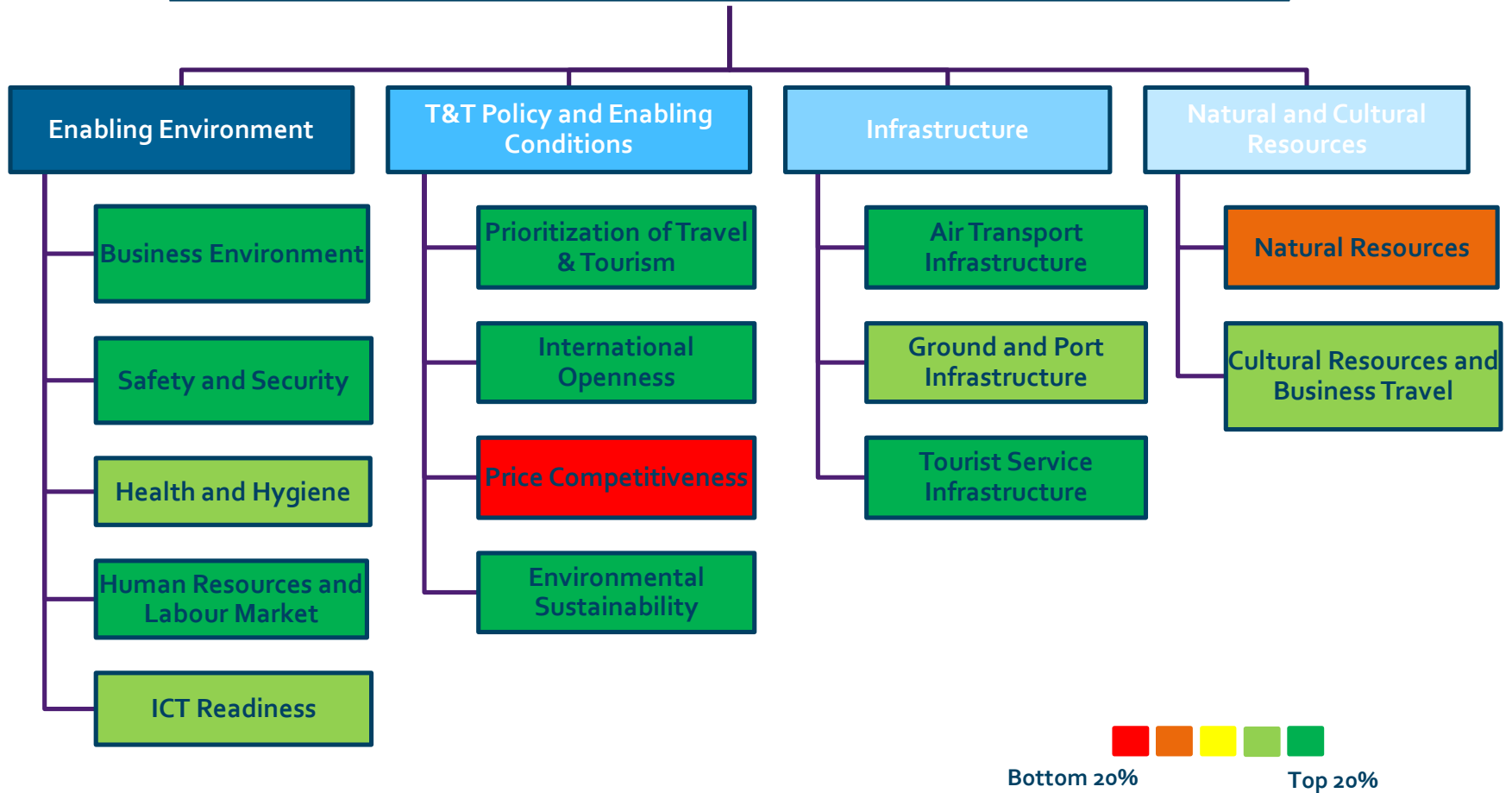
- The economy is performing well but...
- Vulnerable to external shocks:
  - Brexit - disproportionate impact on SMEs
  - slower global growth
  - international tax reform
  - heightened global trade tensions
  - climate change
- Recent competitiveness gains now at risk of being eroded

# Ireland's Performance – The Travel and Tourism (T&T) Competitiveness Report 2019, World Economic Forum

- Benchmarking tool for business and for governments
- T&T Competitiveness Index: Ireland ranks 26 / 140
- Comprised of four sub-indices:
  - Enabling Environment
  - Travel & Tourism Policy and Enabling Conditions
  - Infrastructure
  - Natural and Cultural Resources



# Ireland's T & T Competitiveness Ranking

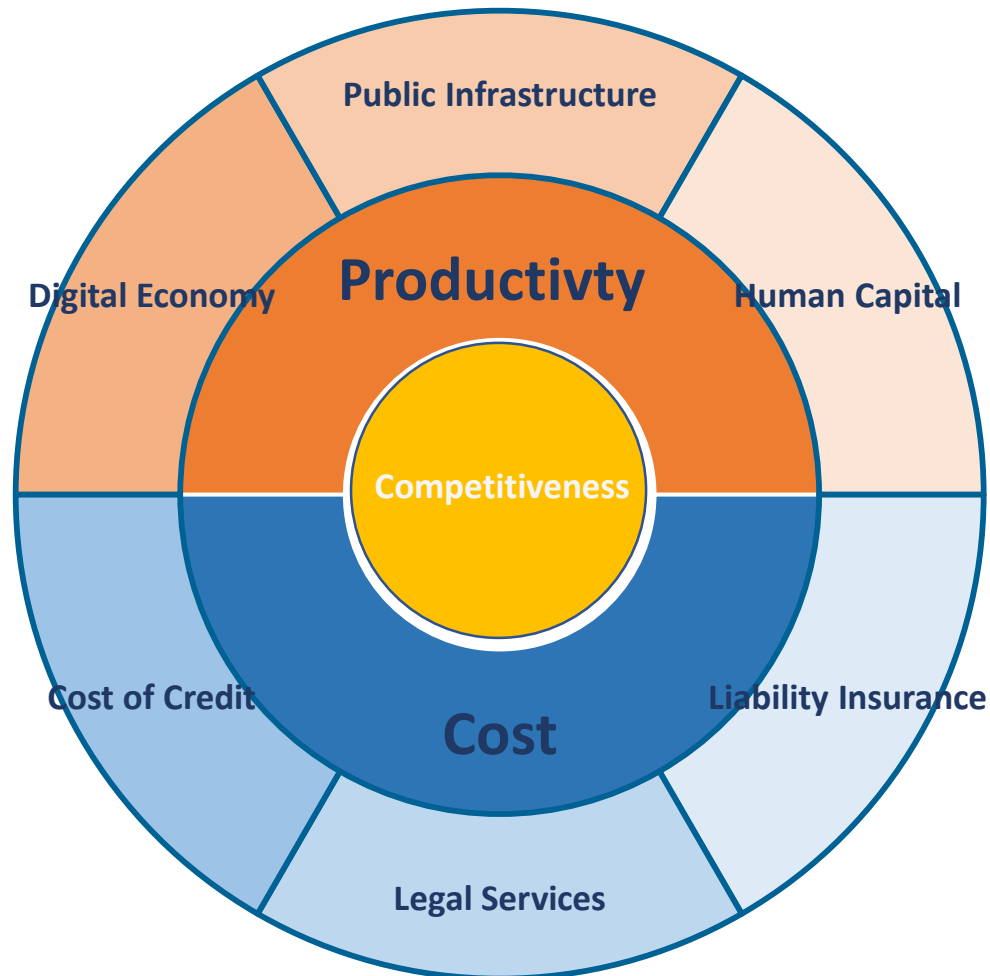




## Draft Ireland's Competitiveness Challenge 2019

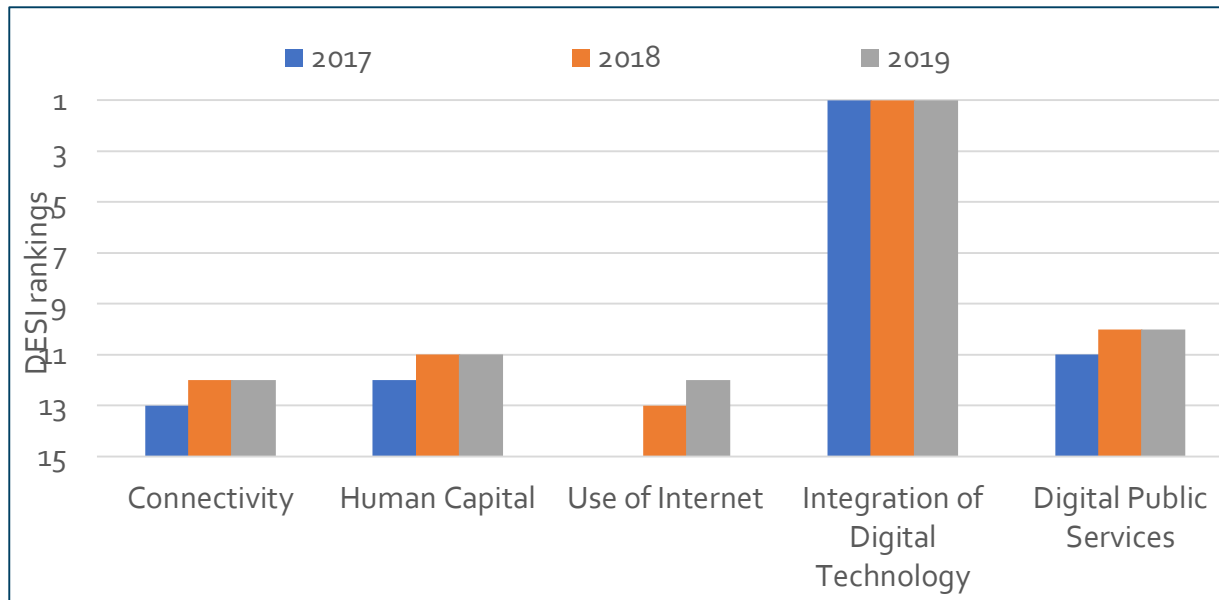
- *Competitiveness Challenge 2019 – based on*
  - *Cost of Doing Business 2019*
  - *Ireland's Competitiveness Scorecard 2019*
  - Bilateral discussions with the NCC members and advisors.
- *New approach in 2019: Focus on six topics & limited recommendations*
  - Published in December 2019
  - Response expected from Government in Q1 2020.
- *Two key pillars of Competitiveness*
  - Productivity
  - Cost

# Competitiveness Challenge 2019



# Productivity: The Digital Economy

## Evolution of Ireland's DESI ranking



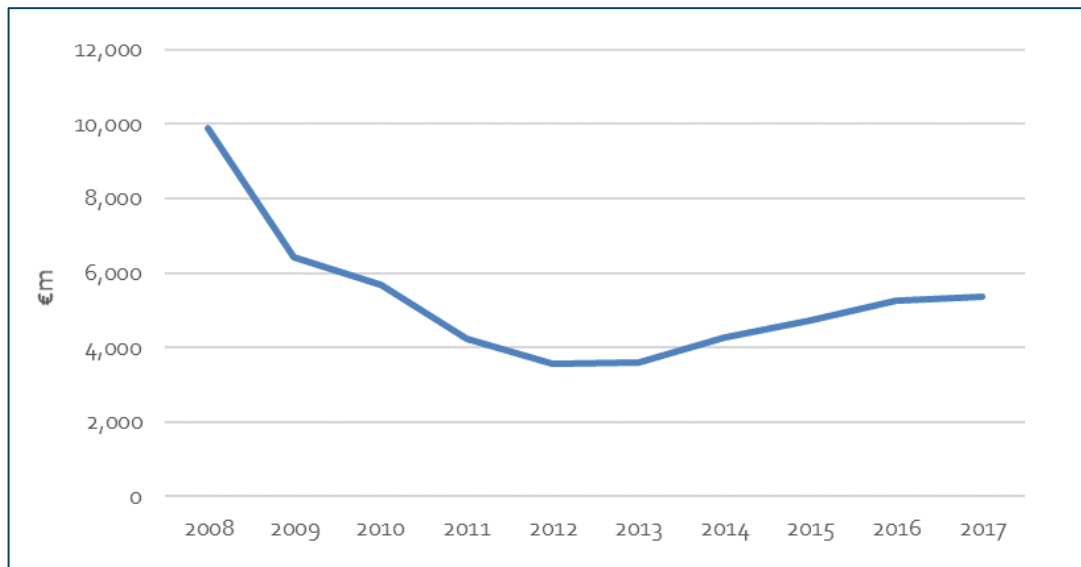
- Ranked 7<sup>th</sup> in 2019 EU's DESI index
- Enterprise adoption of digital technology above EU average

Source : DESI 2019

**Areas of concern – Infrastructure gaps (connectivity)**  
**ICT Skills gaps**  
**Knowledge and Financing gaps**

# Productivity: Public Infrastructure

## Public Investment in Ireland, 2008 - 2017



- Public Infrastructure spending increased since 2013 – in 2017 (€5.4bn).
- Public investment as a % of GDP remains lowest in the EU.

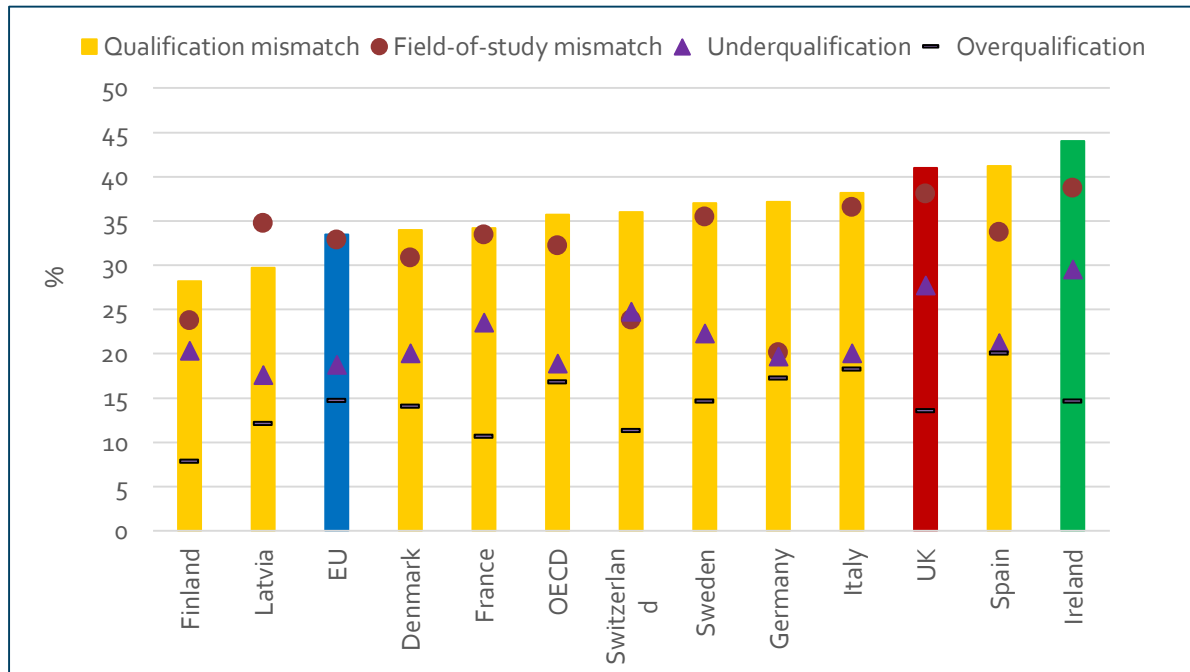
Source: General Government Expenditure by Function (COFOG), Eurostat

## Areas of concern – Infrastructure Governance

Low productivity in Construction sector

# Productivity: Human Capital

## Proportion of workers with skills mismatches, 2016



- Ireland has the highest proportion of workers with qualification mismatch in the OECD (IRL-44%, OECD avg -35.7%)

Source: OECD

**Areas of concern –** High level of skills mismatches  
Low level of life long learning  
Falling University ranking



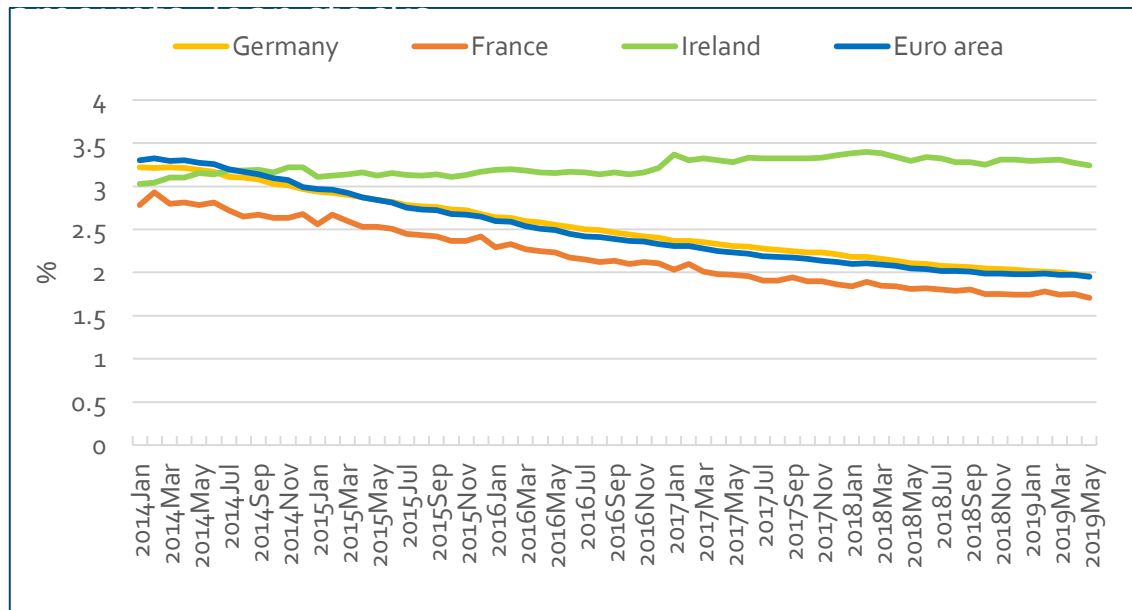


## Key Recommendations on Productivity

- Finalise and publish the new National Digital Strategy.
- Establish the Data Governance Board.
- Provide co-financing for SME investment in digitalisation.
- Set target for increased public infrastructure investment.
- Expedite the publication of the Regional Spatial and Economic Strategies.
- Finalise the Construction Sector Productivity Assessment report.
- Develop a sustainable long-term funding model for higher education.

# Cost: Cost of Credit

Average annual interest rates (selected countries and the euro area)



- Cost of credit high compared to EU countries
- Average annual interest rate in May 2019:
  - IRL 3.24%
  - EA 1.95%

Source: ECB, MIR (NFC, stock)

**Areas of concern – Lending market concentration**

**Recoverability of Collateral**

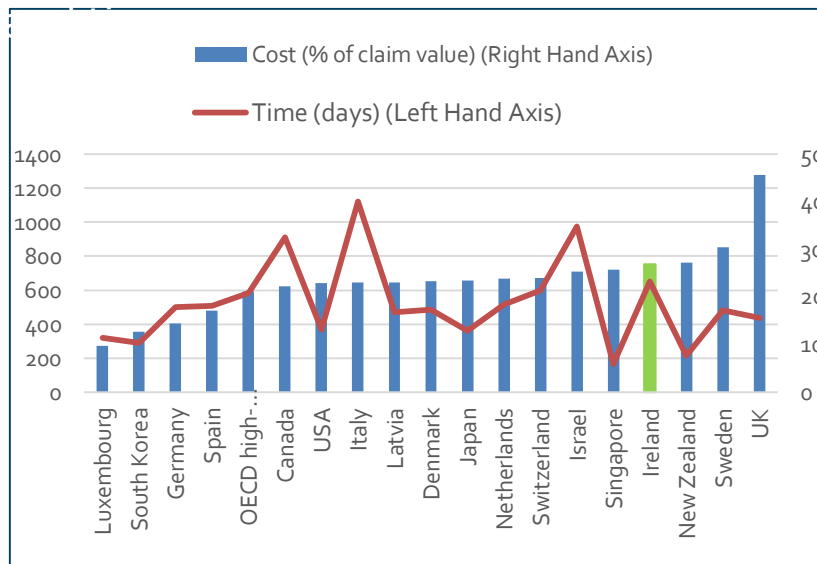
**Default rates**

**Legacy issues (higher capital reserve requirement)**

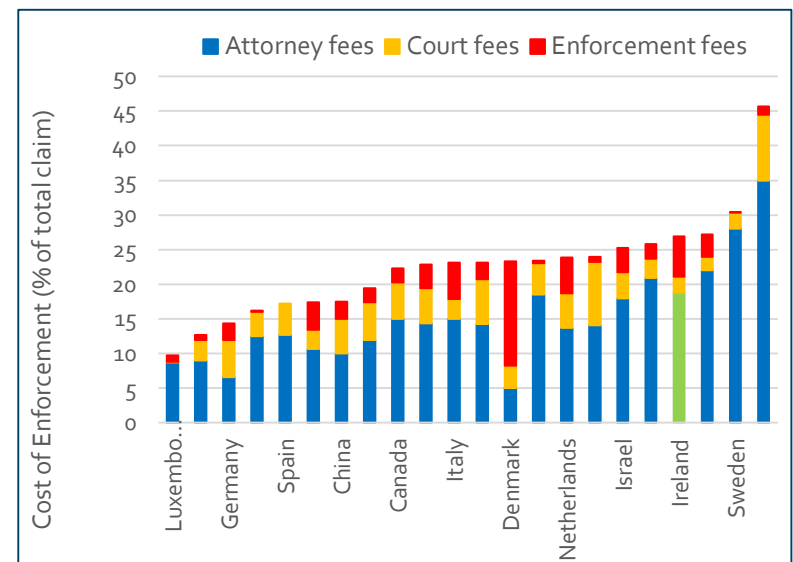
# Cost: Legal Services Costs

- Ireland is both expensive and slow for enforcing commercial contracts.

Enforcing a Contract, cost and time



Legal fees (Attorney, Court and enforcement)



Source: World Bank Doing Business 2019

**Areas of concern –** Slow reform process  
Lack of transparency  
Lack of statistics



## Cost: Liability Insurance Cost

- High Cost and growing difficulty in getting cover - Cost of Insurance Working Group
- Analysis of non-life insurance market in Ireland remains difficult - Absence of price data

Areas of concern – High award levels

Cost of settling claims (high legal fees)

Limited competition amongst insurance providers



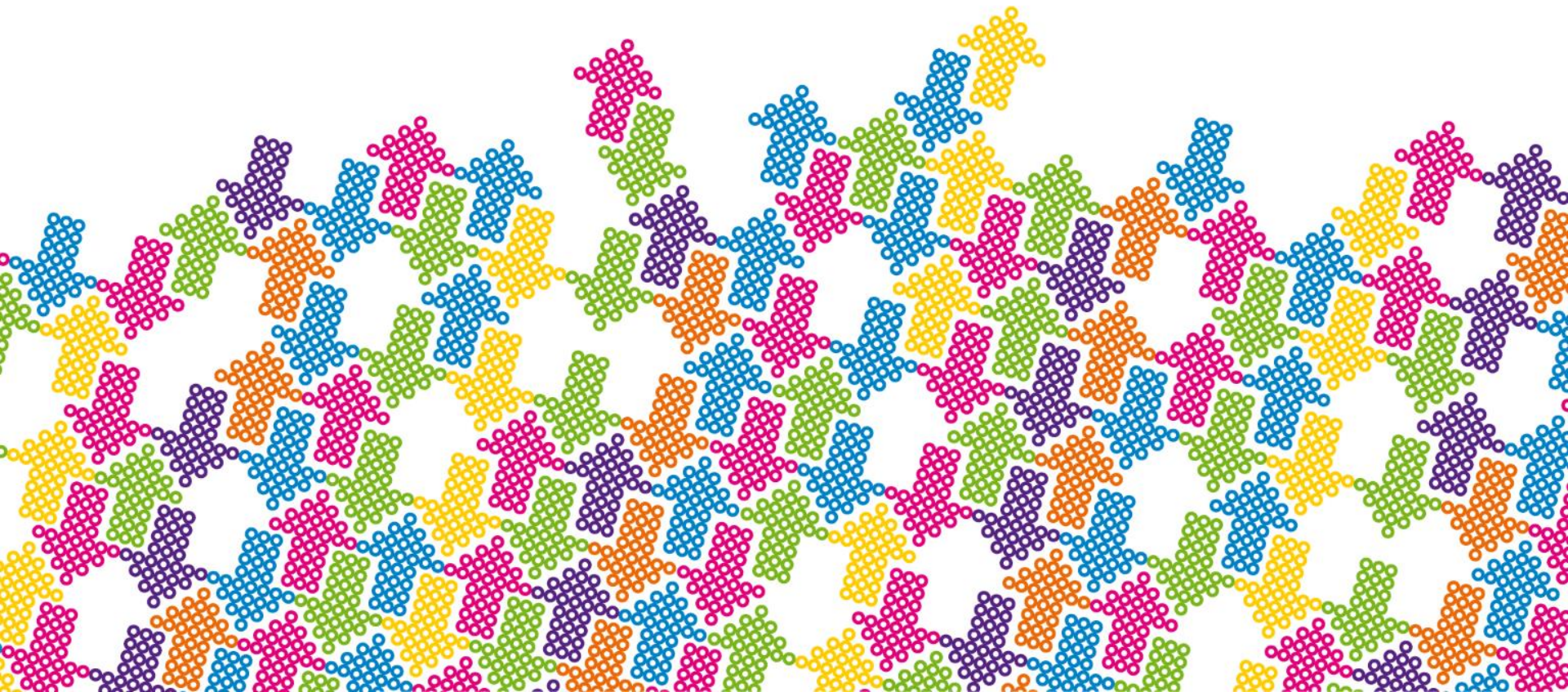
## Key Recommendations on Cost

- Broaden the Strategic Banking Corporation of Ireland's product schemes and the number of lenders.
- Encourage more information sharing seminars between enterprises and financial experts to address funding and knowledge gaps.
- Ensure the Legal Services Regulatory Authority is sufficiently resourced to deliver reforms to improve transparency and efficiency in the legal sector.
- Monitor and report the impact of Mediation Act 2017 on conflict resolution time and cost.
- Explore legislative route to compel insurance companies to provide claims data by settlement channels.





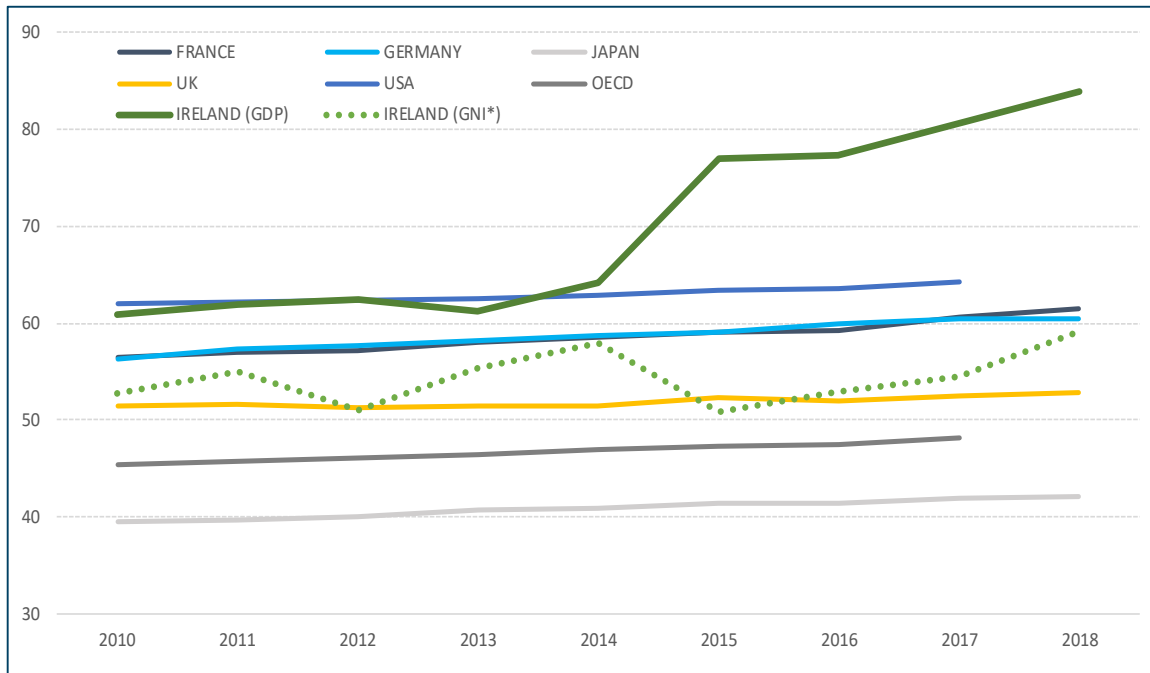
# NCC Productivity Statement 2019





# Irish Productivity Statistics

Figure 1. Labour Productivity: GDP/GNI\* Per Hour Worked (USD 2010 PPP)

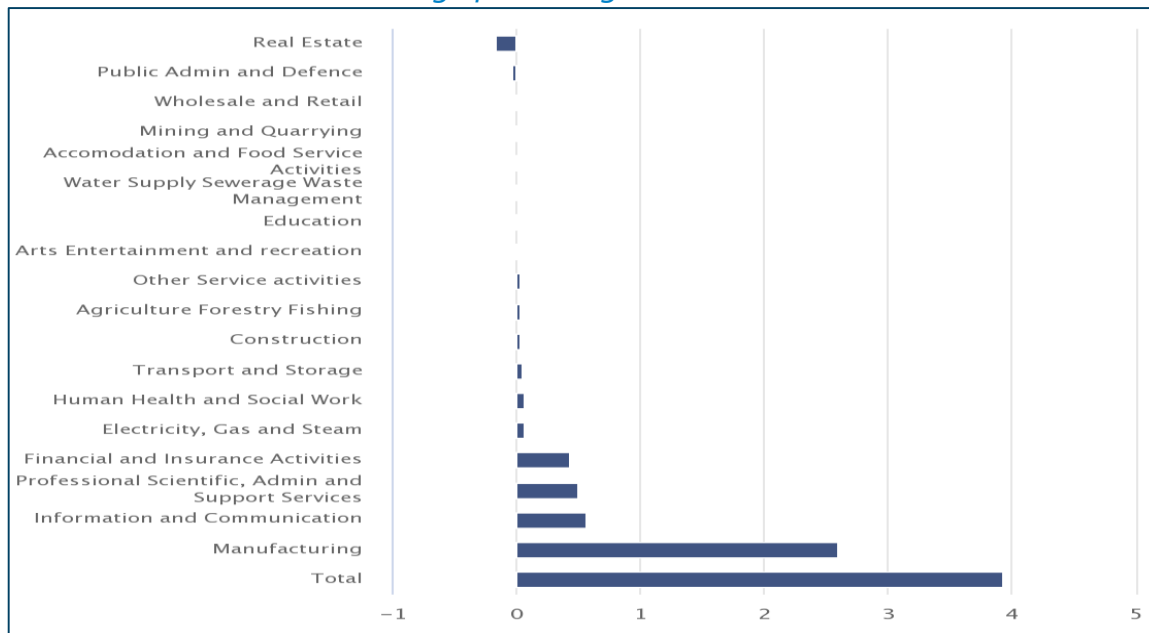


Source: OECD, CSO

- Aggregate labour productivity figures for Ireland continue to show strong performance compared to other advanced economies, even when based on GNI\*, which excludes globalisation activities'

# Irish Productivity Statistics

Figure 2. Sectoral Contribution to Labour Productivity Growth: 2000-2017  
(average percentage contribution)

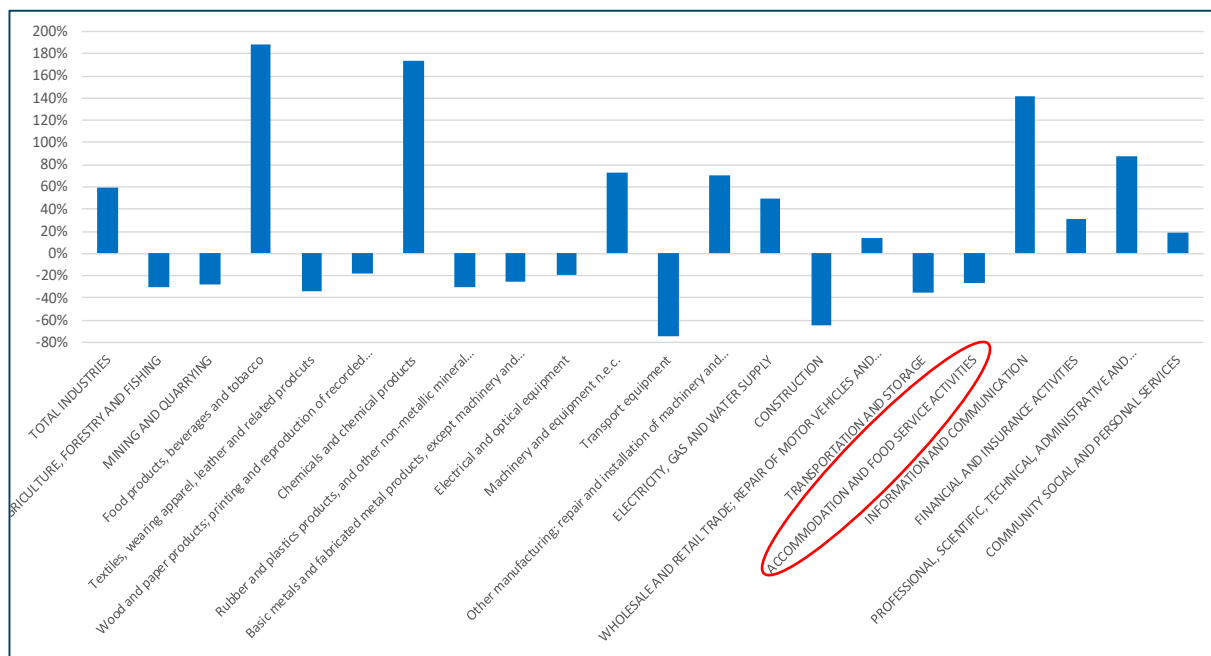


- The strong performance can be largely attributed to the operations of multinationals in specific sectors e.g. manufacturing and ICT

Source: CSO

# Irish Productivity Statistics

Figure 3. Sectoral Productivity Gap with respect to the Euro Area, 2015



- ICT, Pharma-Chemicals and Food & Beverages continue to show productivity levels well above the Euro Area average
- But Accommodation and Food Service Activities is slightly below

Source: CSO



**Thank You**