

Government targets top 5 of global competitiveness rankings - Minister Bruton

Government to “competitiveness-proof” all Cabinet decisions as part of drive to improve ease of doing business and ultimately create jobs

Competitiveness improving but discipline required to deliver jobs targets - Forfás

The Government is to analyse the impact of all official Government decisions on competitiveness, as part of a drive to make Ireland the best small country in the world in which to do business, the Minister for Jobs, Enterprise and Innovation, Richard Bruton TD announced today.

The Minister’s comments came as he, along with Forfás Chief Executive Martin D. Shanahan, launched a Forfás report, *Ireland’s Competitiveness Performance*, benchmarking Ireland’s competitiveness performance against our international competitors on a range of indicators.

Launching the report, Minister Bruton said:

“This Government is committed to improving Ireland’s competitiveness, making it easier to start and grow a business, and ultimately easier to create jobs. In order to systematically improve our performance, I asked Forfás to benchmark our performance against our competitors on a range of measures. Today’s report, the result of that process, is a striking reminder that while we have made significant improvements in competitiveness in recent years, we risk losing the gains we have made without determined action across the economy. What this report also makes clear, however, is that there remain weaknesses in our competitiveness.”

“As a first step, the Government has put in place a formal structure to ensure that all official Government decisions are analysed for any potential impacts on competitiveness before they are made. Led by the Taoiseach, in cooperation with Cabinet colleagues, Government will be developing actions targeted specifically at improving our competitiveness rankings, so that we can achieve a top-five international competitiveness ranking, make Ireland the best small country in which to do business and create the jobs we need”.

The report highlights that improving national competitiveness requires a reduction of costs and an increase in productivity. Martin D. Shanahan, Chief Executive, Forfás commented “In recent years, we have seen a reduction in a range of key costs including property, business services and unit labour costs and at the same time productivity has increased, public finances are being restructured and employment levels have stabilised despite adverse economic conditions”.

He cautioned however that, “It is still unclear to what extent these gains are simply a cyclical response to the recession and are likely to be eroded as economic growth improves, or if they are more permanent structural changes as a result of recent reforms”. He urged that, “Recent competitiveness gains should be guarded with vigilance and the focused efforts to improve Ireland’s performance must be sustained in order to deliver on the Government’s jobs target”.

“With weak external demand forecast for the medium term, Ireland must continue to bolster its export growth by focusing on national competitiveness. We must pursue high growth markets, increase our market share with our existing trading partners and ensure that we are well placed to take advantage of the upswing in demand when it occurs. To do this we must continue to take steps to ensure Ireland is an open, cost effective, productive economy,” continued Shanahan.

Key Findings

- The World Bank monitors national regulatory environments and compiles an annual global ranking of their competitiveness. In 2012 Ireland ranked 15th out of 185 countries. Ireland was ranked in the top ten in terms of the ease of starting a business, paying taxes, protecting investors and resolving insolvency. However, the country performed poorly with regard to some specific issues for example, construction permits, getting electricity, enforcing contracts and registering property.
- Ireland has had considerable success in reducing a range of costs since 2009, particularly in relation to property costs and a range of business services. Unit labour costs have also fallen in Ireland, although this is partly due to a restructuring of the economy away from less productive sectors. Consumer prices in Ireland have been rising at a much lower rate than the euro area average. However, Ireland is still the 7th most expensive country in the euro area.
- Ireland's productivity performance has improved considerably in recent years, with growth rates well above the OECD average. However, much of this improvement arose from changes in the composition of employment in Ireland during the recession rather than broad based productivity growth. To ensure future productivity growth is sustainable it will be important to provide a supportive environment for investment in high growth sectors which will have the dual effect of both increasing productivity and expanding employment.
- Despite international and domestic difficulties, employment levels in Ireland have stabilised with almost 1.85 million in employment in Q4 2012, an increase of 1.3 per cent on the same period in the previous year. Unemployment also stabilised during 2012, although this was partly due to labour market exits. While companies have benefited from easier access to skills and less churn, falling labour market participation, and the loss of skills arising from long term unemployment and emigration are of concern.
- In 2006, driven by a property boom, Ireland's investment levels were unsustainably high. However, Ireland now has the lowest level of investment within the euro area. High debt levels continue to depress domestic demand across the economy, with household, enterprise and Government debt significantly above euro area levels.
- Despite the significantly high level of investment undertaken in the years prior to the economic crisis, perceptions of overall infrastructure quality in Ireland remain below many other developed economies with Ireland ranking 24th out of the 32 OECD countries benchmarked.

The full report, Ireland's Competitiveness Performance, is available at www.forfas.ie

NOTES TO EDITORS

About Forfás

Forfás is Ireland's policy advisory board for enterprise, trade, science, technology and innovation. It provides independent and rigorous research, advice and support in the areas of enterprise and science policy. This work informs the Department of Jobs, Enterprise and Innovation and wider Government. Forfás works with IDA Ireland, Enterprise Ireland and Science Foundation Ireland to ensure the coherence of policies across the enterprise development agencies.

The published advice of Forfás is available at www.forfas.ie

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