

Ireland's Competitiveness Challenge Report

January 2012



Scorecard provided statistical evaluation of Ireland's competitiveness, the *Challenge* provides policy recommendations



NCC's Definition of Competitiveness:

Competitiveness encompasses all those factors which impact on the ability of firms in Ireland to compete on international markets in a way which provides our people with the opportunity to improve their quality of life.

Context

- ▶ Risks to the pace of global recovery; internally pursuing budgetary adjustment agenda
- ▶ Ireland needs a long term plan that facilitates an investment and export driven recovery
- ▶ Notwithstanding obligations under the EU/IMF agreement, we still possess a degree of latitude in shaping our policies
- ▶ Build on competitiveness enhancing measures taken to date

Competitiveness Priorities

- ▶ Reducing the costs of doing business;
- ▶ Boosting productivity (in education, labour market, R&D and infrastructure);
- ▶ Restoring a sound macroeconomic environment;
and;
- ▶ Ensure delivery of world class performance standards.

Actions- Reducing the Costs of Doing Business:

- ▶ **Commercial Property Costs:** timely release of property units onto the market by NAMA; and additional information needed on loans acquired and how assets will be disposed. Readily available price information within the State's possession should be published in timely fashion.
- ▶ **Energy-** a number domestic (and government controlled) cost drivers need to be revised or phased out; encourage market to invest in renewable energy sector.
- ▶ **Commercial Rates-** local authority funding streams rebalanced to property tax and water charges. In interim, determination of commercial rates needs to be transformed (reduce AVR, and expedite revaluation exercise).

Actions- Boosting Productivity:

- ▶ **Improve our Formal Education System:** Primary school reform; training and teaching quality; leaving cert reform; third level funding.
- ▶ **Up-skilling and Re-skilling:** Ongoing review of labour market programmes; ensuring pathways from training to employment; delivering programmes to match skills and experience needs.
- ▶ **Labour Market Adjustment:** Replacement rates should be reduced so that no replacement rates > 70 per cent; housing benefits be transferred to a separated housing stream.

Actions- Boosting Productivity (contin'd):

- ▶ **Prioritise State Spending on R&D and Innovation:** Implement the recommendations of the National Research Priority Setting Exercise. Implementation should be guided by objectives and metrics (including economic impact metrics). Performance against these metrics should be monitored on annual basis.
- ▶ **Enhance Infrastructure:** Source and develop alternative and innovative funding for priority infrastructure; develop energy fuel mix; address remaining deficits in broadband; intelligent infrastructure potential incorporated into capital appraisal process.

Actions- Restoring a Sound Macroeconomic Environment:

- ▶ **Fiscal Policy and Taxation:** broaden tax base; ensure fiscal environment remains conducive to developing employment and competitive enterprises; improve company cash-flow through changes to tax liability payments.

- ▶ **Improve Access to Funding for Enterprise:**
 - Banking system fit for purpose: skills capacity, credit products and conditions, development of a pan European financial system.

 - Other sources of investments: taxation policies to encourage equity investment into productive areas; develop process to help over-indebted but viable businesses.

Actions- Ensure Delivery of World Class Performance Standards:

Reform of Public sector: increased output/outcome focus; resources allocated optimally to achieve outcomes (reduced pay bill); good practise in this regard needs to be incentivised e.g. funding mechanisms.

Reform of Corporate Governance: introduce more stringent requirements upon companies departing from the current corporate governance code; merit in examining the role of Board's of Directors and of Auditors.