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## NCC Statement: "Ireland's Competitive Position Under Increasing Threat as Wage Rates Outstrip Productivity"

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The dramatic change in global economic conditions, the heightened uncertainty following the terrorist attacks in the US on 11 September and the fact that Irish wage rates are now growing at the fastest rate in the OECD are all serving to undermine Ireland's competitive position, **Mr. Brian Patterson**, Chairman of the National Competitiveness Council, warned today, Thursday, 18 October 2001.

Mr. Patterson said that Ireland's recent economic success has led to complacency. *'We have started to take our competitiveness for granted, and this can have very serious consequences in a scenario where global demand is slack, particularly since we no longer have domestic control of exchange rates and interest rates.'*

*'Wage rates in Ireland are now growing at the fastest rate in the OECD'*, Mr. Patterson commented. *'They are growing at twice the rate of productivity, which means we are losing competitiveness. Other employment costs such as taxation and insurance have risen as well, while a significant increase in electricity prices was also announced recently. This is a very worrying cost environment, both for domestic enterprise and for foreign firms located here or considering locating here.'*

He added that competitiveness is – and always has been – our only security. *'Competition happens at the level of the enterprise and, in an era of global competition, there is nowhere to hide. Competitiveness is the basis of all jobs, pay and conditions. Community wealth, which is generated by the competitiveness of the enterprise sector, provides the resources to fund all of our public spending programmes - such as health, education, and social welfare – as well as the substantial investments in the National Development Plan. Competitiveness is not a destination – it is a never-ending journey.'*

Mr. Patterson also drew attention to a number of other factors that he described as crucial to underpinning Ireland's medium-term competitiveness. *'We still have a lot to do in the area of infrastructure, particularly on national roads and public transport. It is important that we deliver the National Development Plan on schedule and resist any pressure to cut back when the public finances start to get tighter. We also have to up-grade the electricity system. We need more generation capacity and an overhaul of the transmission and distribution systems, while at the same time ensuring that the market liberalisation proceeds successfully. Waste disposal infrastructure is another area where significant new investment is required.'*

One of the areas that the National Competitiveness Council is particularly concerned about is telecommunications. At present, small users, including many small businesses, still have no access to broadband services, while the costs that bigger users face vary considerably depending on location. *'We have set ourselves the objective of being a hub for e-business'*, Mr. Patterson said. *'But how can that be possible when we do not have competitive broadband access at this late stage.'*

**Mr. Colm Regan**, who also works with the National Competitiveness Council and is Executive Director of Forfás, the State body that provides the research and secretariat support for the Council as part of its role in advising the Government on matters relating to industrial policy and science and technology, indicated that investment in education and in research and development were also extremely important for medium-term competitiveness. He added: *'Increased productivity makes it possible for incomes to rise without loss of competitiveness. In order to achieve higher productivity, we need to pay greater attention to education and training and to the development and application of advanced technologies in our businesses.'*

*'Competitiveness is the basis of our prosperity'*, Mr. Patterson concluded. *'In the current uncertain economic conditions, being competitive is the only security.'*

Next month, the National Competitiveness Council will launch two reports. The first is the ***Annual Competitiveness Report***, which compares Ireland's competitiveness performance against other OECD countries using 200 diverse indicators. The second is the ***Competitiveness Challenge***, which contains a range of policy recommendations towards maintaining and improving competitiveness.

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