

Ireland's Service Economy Provides Viable Avenue to Sustainable Growth

Tánaiste Launches Publication of Proposals to bring Services Sector to the Heart of Irish Enterprise

The report of the Services Strategy Group, *Catching the Wave: A Services Strategy for Ireland*, was published today (12 September 2008) and launched by Mary Coughlan, TD, Tánaiste and Minister for Enterprise Trade and Employment.

The report sets out new policy proposals on how the State can ensure the continued development and growth of Ireland's services sector. The Group believes that the implementation of these recommendations will enable Irish service companies to exploit new and exciting opportunities, such as eLearning, business and financial services, professional and consultancy services and others.

Launching the report, Tánaiste Mary Coughlan commented, "Ireland epitomises the globalised economy. We are one of the world's leading service exporting countries and currently ranked the 10th highest exporter of services in the world."

"Despite the strength of our position we cannot take our eye off the prize. The current economic slowdown highlights how our accomplishments should not be taken for granted. Ireland, however, does have the potential to sustain economic growth through services. ESRI forecasts indicate that by 2025 services could account for over 70 percent of Irish exports and for nearly 80 percent of GDP."

"Today services are the main driver of the economy and the most likely avenue to sustainable growth. Clearly we must ensure that the conditions are right to capitalise on this potential and in this light I very much welcome this report from the Services Strategy Group. I would like to thank the Chair and the Members of the Group for their work which is thought provoking and will help us in the development and growth of this critically important sector of our economy," she concluded.

Commenting at the launch Tony Keohane, Chair of the Services Strategy Group, outlined the need to take services to the heart of enterprise policy.

"Over the past two decades Ireland has succeeded in developing a very strong services sector, however, this importance has not yet been fully reflected in enterprise policy. The Group recommends action in three areas to enable companies to capitalise on opportunities and to overcome challenges. Firstly, we need to diversify Irish service exports. There is a heavy reliance in services exports in two sectors - software/ICT and financial services. Together these account for 60 percent of our services exports. While we must foster and further develop these sectors, there are very real opportunities in other areas that are currently underexploited and we have identified specific areas of opportunity for Irish companies."

“Secondly, we need to encourage internationalisation of our services enterprises. A limited number of Irish companies have established operations in other countries, in areas as diverse as sandwich bars and software. This is a major opportunity for Irish companies to expand their operations which to date has only been realised by a relatively small number of firms. Benefits will accrue to both the firm and to the economy as a whole. Finally, we must recognise the important role of the Irish service enterprises that trade locally and ensure that they are efficient and productive. This reports sets out clearly the role that the State can play and we have made 13 key recommendations to achieve this,” commented Keohane.

Key recommendations

Sectoral Development

- Review and where necessary amend ministerial orders and policy statements to facilitate the development agencies in fostering the growth of services.
Action: Department of Enterprise, Trade and Employment (DETE)
- Carry out in-depth sectoral analysis on identified areas of opportunity in the Report to exploit the potential for services exports. Repeat such analysis at regular intervals to ensure that Ireland maintains the ability to adapt to emerging trends.
Action Enterprise Ireland and IDA Ireland
- Consider opportunities for Irish services companies establishing abroad as part of Enterprise Ireland’s (EI) longer term strategy, in tandem with opportunities for exporting.
Action: EI and DETE

Skills

- Provide integrated inter-disciplinary education for service activities along the lines of the services science management and engineering programmes offered in the US and UK
Action : Higher Education Institutes
- Develop and introduce a system of bonus college entry points for higher level Leaving Certificate mathematics. Enhance the professionalism of mathematics teaching by creating a master’s degree a part-time higher diploma and four year honours degree programme in mathematical education.
Action: Dept. Education and Science

Innovation

- Identify, develop and put in place dedicated business support measure to promote R&D and innovation capability in services companies and to facilitate the development of services in manufacturing enterprise.
Action: EI and IDA
- Provide structured supports to develop an institutional capacity of R&D in services
Action: SFI
- Expand the national R&D Tax Credit Scheme to include services R&D and innovation.
Action DETE and Dept. Finance
- Extend Ireland national innovation policies and strategies to encompass innovation in services and continue the progress made in implementation the SSTI 2006 - 2013
Action: DETE
- Use public procurement to stimulate services in innovation. *Action: DETE*

Productivity

- Ensure the Competition Authority is adequately empowered and resourced to enable it to fulfil its mandate. Introduce a process whereby the Government responds formally to recommendations from the Authority.

Action DETE

- Introduce a voucher scheme to encourage locally-trading service firms to benchmark their performance against national and international best practice to enhance their productivity.

Action DETE

- Improve coverage and quality of services statistics to better inform public policy in the services economy.

Action: Central Statistics Office

"Ireland's ability to succeed will depend on the adaptability of services companies in taking advantage of the opportunities offered by services. Undoubtedly, the State can play a role. The Department of Enterprise, Trade and Employment should take responsibility for this process, coordinating a response to the recommendations, specifying actions that will be taken and ensuring that there is a process by which progress can be reviewed," said Keohane

"We believe that the services sector has the potential to provide Ireland with its future economic growth. Implementation of our policy proposals will make a real difference to our services companies competing locally and internationally," he concluded.