

Consultation on the NCC Competitiveness Framework April 2016

The National Competitiveness Council (NCC), established in 1997, reports to the Taoiseach and Government on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position. Defining and understanding "competitiveness", its determinants and methods of measurement are, therefore, crucial to the work of the Council.

The Council defines national competitiveness refers to the ability of enterprises to compete in international markets. National competitiveness is a broad concept that encompasses the diverse range of factors which result in firms in Ireland achieving success in international markets. For the Council, the goal of national competitiveness is to provide Ireland's people with the opportunity to improve their living standards and quality of life.

Improving living standards depends on, amongst other things, raising incomes and providing employment. To raise incomes and grow employment, productivity gains are necessary but in an economy with a small domestic market, this requires a healthy exporting sector to achieve economies of scale necessary for productivity gains. For a vibrant exporting sector, Ireland must maintain its national competitiveness. Growth is dependent on the performance of firms in international markets, which is a function of the competitiveness of the operating environment for them in the country and the range of inputs to the production process. The success of the enterprise sector affects overall prosperity and steps towards this prosperity also indicate progress in national competitiveness.

Competitiveness is a result of multidimensional factors that enable firms in Ireland to compete successfully in international markets. Levels of enterprise productivity, innovation, investment, employment and profitability are the key determinants of their ability to compete and grow. Their ability to compete is also determined by the stability of the macroeconomic environment, demographics, and efficient and effective public services and institutions. The Council has approached its work by, inter alia, examining the essential conditions for competitiveness (such as business performance, productivity, prices and costs, and labour supply) alongside the key policy inputs to enhance the determinants of competitiveness (such as the business environment, physical infrastructure and knowledge infrastructure. For over a decade, the Council has used a bespoke competitiveness framework ("the competitiveness pyramid") to facilitate a simple articulation of the multifaceted and interlinked dimensions of competitiveness, with a particular focus on how competitiveness issues impact upon Ireland as a small, open economy. The NCC framework for analysing competitiveness performance considers inputs and outputs can be illustrated on a pyramid. Under the framework, competitiveness is not an end in itself, but a means of achieving the objective sustainable improvements in living standards and quality of life. The Council's current Framework is available to download [here](#).

Defining and benchmarking competitiveness has continuously evolved since the Council was established in 1997. The literature on competitiveness has expanded rapidly in recent years in terms of understanding competitiveness and its determinants and, in particular, the means of measuring competitiveness. A large theoretical, empirical and policy-relevant literature has emerged considering, inter alia, productivity, clusters and networks, innovation and creativity, governance and the role of institutions and institutional agility, social and cultural capital, economic complexity, firm sophistication and geographic considerations. The literature has implications for frameworks and policies to enhance the competitive positions of regions and nations.

To ensure that the Council remains an effective, independent and authoritative voice advocating for competitiveness enhancement; it commissioned research in 2015 to examine competitiveness definitions and frameworks. This work was carried out for the Council by Dr Christian Ketels, Principal Associate at the Institute for Strategy and Competitiveness at Harvard Business School. The Competitiveness Frameworks Review report by Dr Ketels outlines a range of findings to support the continued evolution of the NCC's understanding of competitiveness – including how the Council assesses Ireland's performance; develops actions; and interacts with Government to ensure policy-making enhances national competitiveness. This report is a significant input to the NCC as it refines its own competitiveness framework (see www.competitiveness.ie/Publications/) which it uses to analyse Ireland's strengths, weaknesses and priority areas for policy action.

The Council is seeking observations regarding the continued evolution of its competitiveness framework. In particular, the Council is interested in views as to the strengths and weaknesses of its current approach. Specifically, comments are sought addressing:

- The factors that matter most for Ireland's national competitiveness
- Whether these factors are changing, and if so, what is driving these changes?
- What factors are likely to assume greater importance in the future?
- Are different approaches required to understand competitiveness in the short, medium and longer term?
- What definitions and indicators of competitiveness may be most appropriate given Ireland's size, stage of development, and economic model?

Submissions should be marked "Competitiveness Framework Consultation" and can either be e-mailed to info@competitiveness.ie or sent in hard copy to NCC Secretariat, Department of Jobs, Enterprise and Innovation, Kildare Street, Dublin 2.

The closing date for submissions is Friday 13th May 2016.

Freedom of Information

Attention is drawn to the fact that information provided may be disclosed in response to a request under the Freedom of Information Act 2014. Therefore, should it be considered that any information provided is commercially sensitive, please identify same, and specify the reason for its sensitivity. The NCC Secretariat will consult with interested parties making submissions regarding information identified by them as sensitive before making a decision on any Freedom of Information request.

Publication of Submissions

The Council may also decide to place any submissions received by it on the NCC website. A decision on any such placement may occur without prior consultation with respondents to this consultation process. Thus, it is in the interests of respondents to highlight, in their submissions, any commercially sensitive or confidential information at the time of submission.