National Competitiveness and Productivity Council
Bulletin 21-2. OECD Going for Growth Report

- **Every year, the OECD publishes the *Going for Growth* report, which identifies structural reform priorities to boost medium-term economic growth in an inclusive and sustainable way.**
- **This year – the OECD has identified five priority areas for Ireland: improving labour force participation; boosting housing supply; easing barriers to competition; expanding healthcare coverage; and addressing climate change.**
- **The NCPC will review these areas – and the specific policy actions recommended by the OECD – in the preparation of the Council's flagship annual publication, the *Competitiveness Challenge*.**

Overview

Every year, in the *Going for Growth* publication, the Organisation for Economic Co-operation and Development (OECD) identifies structural reform priorities designed to boost medium-term economic growth in an inclusive and sustainable way. In addition, it formulates recommendations on how to address these priorities and tracks actions that have already been taken in these areas.

General Messages

The OECD notes that the COVID-19 pandemic has exposed long-standing structural weaknesses in our economies and widening gaps in living standards. In spite of this, it believes that the post-pandemic recovery creates new opportunities to set in place the foundations for a vibrant recovery. The policies that the OECD believes need to be put in place fall into three overlapping pillars:

- **Building resilience and sustainability** – the pandemic has highlighted a lack of resilience in three key areas (supply chains in medical goods, uneven access to social safety nets, and climate change) that need to be addressed for a sustainable recovery
- **Facilitating reallocation and boosting productivity** – the need to remove policy barriers preventing firms becoming more dynamic, innovative and greener, and to adapt competition policy for the digital age.
- **Supporting people through transitions** – the OECD notes the need to shift towards more targeted measures focusing on early interventions that are more likely to be effective in maintaining labour market attachment in this time of transition.

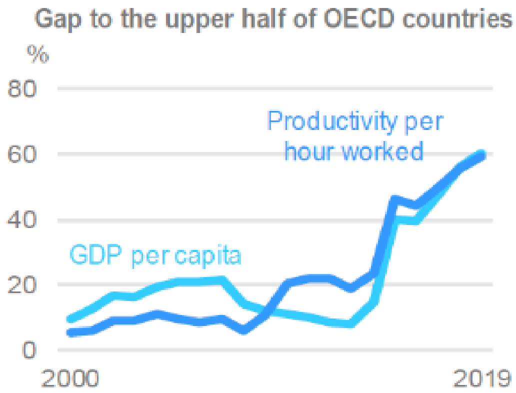
The Irish Economy

In the *Going for Growth* framework, the OECD first examines four key indicators for each economy. Its observations on the Irish economy are set out below.

Productivity

Productivity (how much value is created given a fixed supply of inputs) is one of the most significant economic indicators because of its very large impact on standards of living.

Figure 1. Ireland's performance



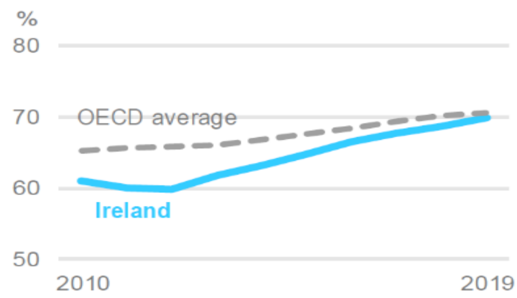
Source: OECD

Figure 1 shows Ireland's GDP per capita and productivity per hour worked as being approximately 60% higher than OECD best performers. However, it should be noted that GDP measures overstate Ireland's performance[1].

Employment

Ireland's employment rate (i.e., the proportion of the working age population in employment) is currently in line with that of the OECD but was increasing more rapidly prior to the onset of the COVID-19 pandemic.

Figure 2. Employment rate (aged 15-64)



Source: OECD

[1] It is important to note that Ireland's GDP, and subsequently productivity, figures are impacted strongly by globalization and the scale and complexity of the activities of many multinational firms. See the Report of the Economic Statistics Review Group (2016) for further detail.

Inequality

The Gini co-efficient is a measure of equality of income in the population where a score of zero represents a situation where all households have equal income and 100 represents a situation where one household accounts for all national income.

Figure 3. Gini Co-efficient of income inequality (Ireland and selected others)

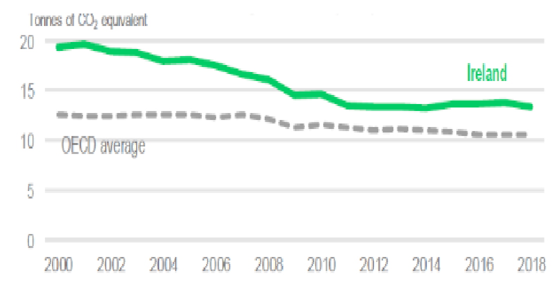
Source: OECD

Ireland's Gini co-efficient of 29.5 puts Ireland on par with most advanced economies, where the poorest 20% of households earn 8.6% of total income.

Environment

Regarding Ireland's environment, the OECD notes that, while greenhouse gas emissions are high, they have been decreasing in recent years.

Figure 4. Greenhouse Gas emissions per capita



Source: OECD

In contrast, the OECD notes that a very low share of the population is exposed to harmful levels of air pollution.

OECD Recommendations

To ensure the resilience of the Irish economy into the future, the OECD has made a series of policy recommendations under five headings.

Ireland needs to improve labour force participation and employment

The OECD believes this can be done by: enhancing vocational education and job training; reducing the high average effective tax rate faced by low-income households; and, making all social benefits conditional on earnings, not on employment status.

Boost housing supply and reform support

To achieve this, the OECD has recommended that the Government replaces stamp duty with a broad-based land tax; reduce restrictions and relaxes demand support measures that push up prices when supply is inelastic; and reduces the price of construction permits and registration of property.

Ease barriers to entry and boost competition

In this area, the OECD recommends the full development of the Integrated Licence Application Service; establishing a 'silence is consent' rule, which implies that licences are issued automatically if the competent licensing office has not reacted by the end of the statutory response period; establishing one-stop-shops for business creation; and, simplifying regulation towards good practices in the e-commerce sector.

Expand healthcare coverage and ensure cost containment

The measures recommended by the OECD here are: to improve outturn compliance in health sector budgeting to prevent chronic budget overruns; to push through compensation reforms to health workers in the public sector; and to continue the phased expansion of primary health care coverage.

Use economic instruments to address climate change and local pollution

The final group of OECD recommendations are: to gradually raise the carbon tax rate according to a schedule that is well communicated to households and businesses; to continue to invest in public transport and consider further promoting digital-based ride sharing and the introduction of congestion charging; and to remove subsidies on environmentally harmful goods, such as synthetic fertilisers.

NCPC View

The OECD's *Going for Growth* publication is a valuable contribution to the ongoing debate about competitiveness and productivity in Ireland, especially as the economy re-opens post Covid-19. As the Council turns to preparing the *Competitiveness Challenge*, which makes policy recommendations to the Government, we will review the OECD recommendations.

Further Reading: The OECD *Going for Growth* report can be found at https://www.oecd.org/economy/ireland-economic-snapshot/

The Council's annual flagship publication, *Ireland's Competitiveness Challenge 2020* and Government response are available at www.competitiveness.ie

This Bulletin has been issued by the Chair, Dr Frances Ruane, and prepared by Manus O Donnell in the NCPC Secretariat.