

IRELAND

Ireland has experienced a severe set-back in living standards. Unemployment has risen steeply and labour force participation declined, resulting in a labour utilisation gap relative to the upper half of OECD countries. While the government is launching reforms aimed at improving macroprudential regulation, efforts in the areas below should be pursued to raise long-term growth prospects and avoid a structural deterioration in the labour market.

Strengthen work incentives for women

Women participation rates are well below those of best-performing OECD economies, especially for mothers. High childcare costs and limited supply are major obstacles to participation.

Actions taken: The government abolished the Early Childcare Supplement which is being replaced in 2010 by a new pre-school Early Childhood and Education Scheme for those aged 3½ to 4½.

Recommendations: Consider measures to link childcare support to employment status. Prioritise access to community childcare to working parents, especially lone parents. In the longer term and as fiscal circumstances allow, increase the supply of childcare further while maintaining quality.

Strengthen competition in non-manufacturing sectors

Competition in utilities and some sheltered service sectors remains relatively weak, harming productivity.

Actions taken: Work is ongoing to build a second North-South and an East-West electricity interconnector. The electricity regulator announced in 2010 that it would end price regulation in the domestic retail market.

Recommendations: Increase competition in the electricity and gas markets. Continue to integrate the electricity market with the UK market. Increase competition in retail by allowing bigger stores. Replace the 20% pharmacy retail mark-up with a flat dispensing fee and auction the right to run a pharmacy. Remove unnecessary restrictions in the legal profession.

Improve the effectiveness of publicly-funded R&D

R&D spending remains relatively low and most activity is undertaken by foreign firms.

Actions taken: The government created from May 2010 a new Department of Enterprise, Trade and Innovation aimed at enhancing the delivery of the R&D agenda, with a focus on stronger commercial outputs and the efficiency of expenditure.

Recommendations: Evaluate the existing tax incentive, and channel more support through it if it has been successful. Strengthen the links between universities and industry, for example by promoting the commercialisation of inventions and rationalising business incubators into a small number of high-quality specialist units.

Other key priorities

Enhance activation policies

Implementation of conditionality under activation measures is relatively weak, harming their effectiveness and thereby labour utilisation. There are too many agencies involved in providing assistance to the unemployed.

Actions taken: In 2009 the government expanded the training-and-work experience activation places targeted at vulnerable groups. The government announced 15000 additional places in the 2011 Budget, and its intention to streamline Public Employment Services (PES) in the 2011-14 National Recovery Plan (NRP).

Recommendations: Tighten activation requirements for the unemployed. All unemployment-benefit claimants should be subject to early and regular interaction with PES, where counsellors should follow up on job referrals and participation in labour market programmes. Unify the administration of unemployment-related policies in a single government body. Cost-effective programmes targeted at the needs of those without jobs should be expanded and additional administrative resources allocated to activation policies.

Further improve infrastructure

Infrastructure quantity and quality remain relatively low and the use of pricing mechanisms is not widespread.

Actions taken: The government announced in the 2011-14 NRP its intention to introduce water metering for homes. Water charges will be based on consumption above a free allocation.

Recommendations: Allow for better use of infrastructure services through appropriate user charges. Charge the full cost of providing drinking water and collecting and treating sewage. Consider introducing congestion charges.

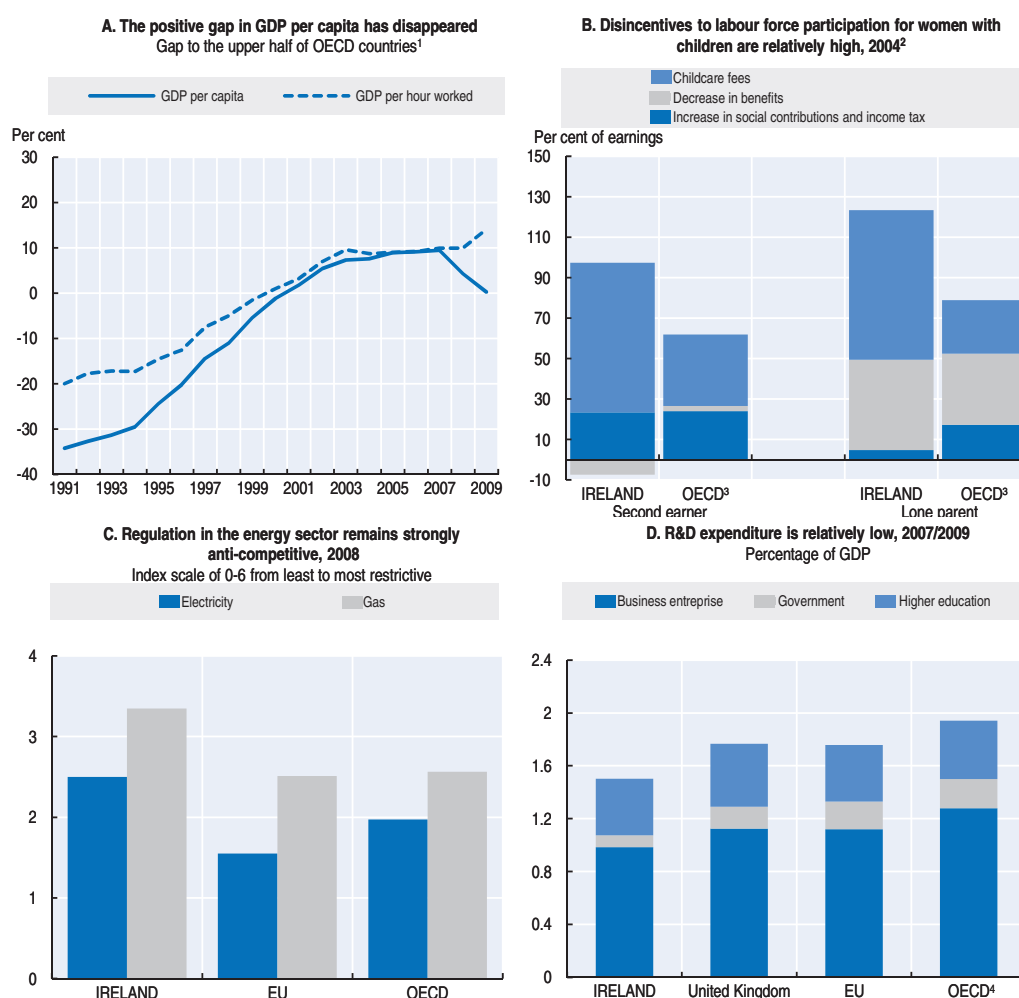
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Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	3.0	4.8	1.3
Labour utilisation	-0.1	0.8	-0.9
of which: Employment rate	0.9	2.0	-0.2
Average hours	-1.0	-1.2	-0.8
Labour productivity	3.1	4.0	2.2
of which: Capital intensity	1.5	1.5	1.4
Multifactor productivity	1.7	2.6	0.8

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Based on implicit tax on returning to work, defined as the cost of childcare, reductions in income-related benefits and increases in social contributions and personal income taxes, all relative to earnings in the new job. Measured for second earners and for lone parent with income equal to two-thirds of average earnings.
3. Average of OECD countries excluding Chile, Estonia, Israel and Slovenia.
4. Average of OECD countries excluding Chile.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD (2004), Benefits and Wages: OECD Indicators; Chart C: OECD, Product Market Regulation Database; Chart D: OECD, Main Science and Technology Indicators Database.

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