IRELAND

With the fastest growth rate of GDP per capita in OECD countries over the past decade, Ireland has largely caught-up with leading countries in terms of productivity and, to a lesser extent, income levels.

Priorities supported by indicators

Strengthen work incentives for second earners

The rapid pace of economic growth over the past decade has been underpinned by a substantial increase in labour force participation. However, growth in female participation needs to be encouraged further to respond to continued strong growth in the demand for labour.

Actions taken: A change in the personal income tax system has reduced the effective marginal tax rates for second earners closer to the low rates applied for primary earners. The National Employment Action Plan foresees significant investment in childcare structures to reduce the relatively high childcare costs.

Recommendations: Strengthen work incentives further, especially for those seeking part-time work and lower-skilled second earners, through a non-wastable tax credit for childcare.

Ease the regulatory burden on business operations

Neglect of regulatory policy has resulted in a framework that burdens business and constrains the degree of competition. Improving the regulatory framework and establishing a better mix of regulatory policies, tools and institutions will enhance transparency and lower the regulatory burden on business operations.

Actions taken: The government has issued a *White Paper on Better Regulation*, aiming for a regulatory system that abides by the OECD guidelines on better regulation.

Recommendations: Implement swiftly the regulatory framework proposed in the *White Paper on Better Regulation*.

Further liberalise non-manufacturing sectors

Transportation, electricity, retail distribution, professions and, to some extent, telecommunications suffer from unnecessary regulations, including barriers to entry, price controls and other rules limiting business operations that show up in high prices.

Actions taken: Some restrictions to entry have been removed, for example for retail pharmacies. Liberalisation of utilities has started, in line with the EU agenda.

Recommendations: Pursue liberalisation of network industries, by ensuring that incumbents do not engage in business practices that prevent newcomers from entering the market. Eliminate anti-competitive devices in retail distribution, such as the "Groceries order" and the "Retail planning guidelines", and abolish other price controls. Pursue efforts to open professional services to foreign-trained professionals.

Other key priorities

- Phase out tax deductibility of mortgage interest payments. Avoid frequent changes in stamp duties, which lead to undue volatility in house prices.
- Improve the enforcement system for competition. Give the competition authorities more enforcement power and the possibility of imposing sanctions, such as fines.

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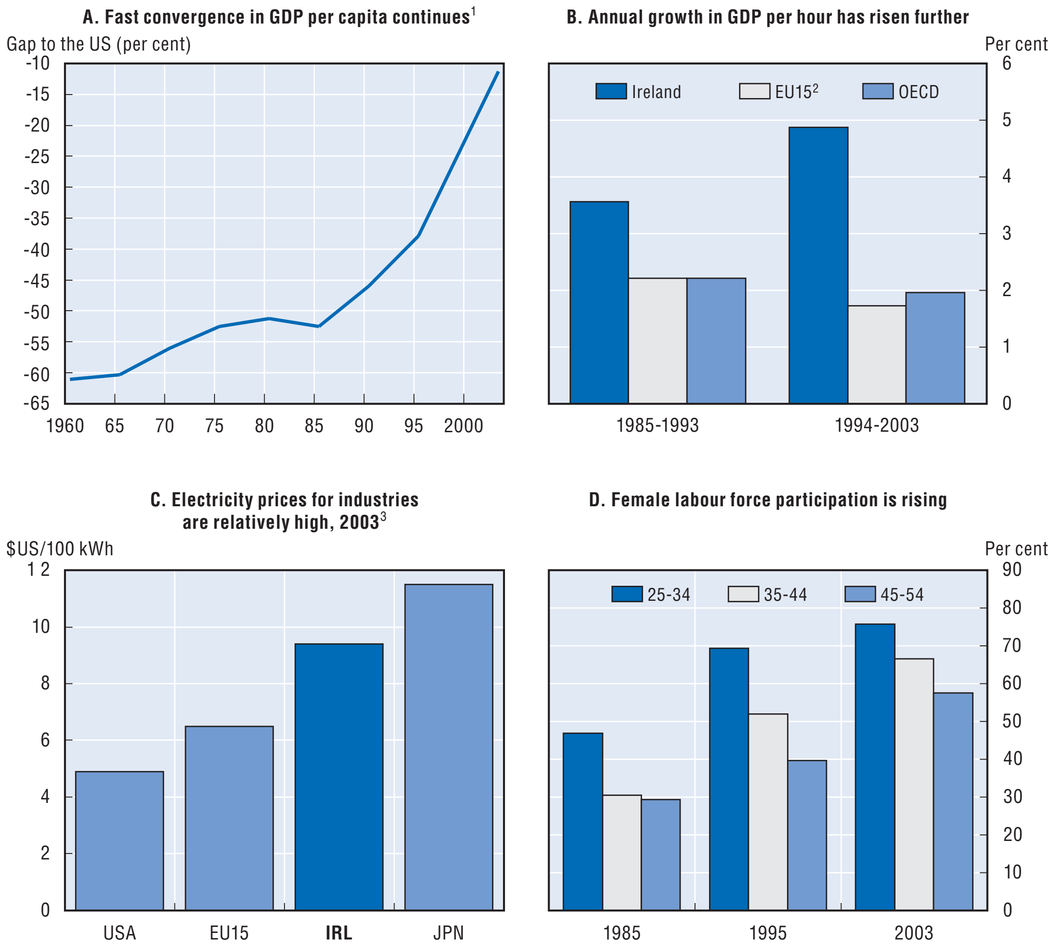
Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	4.8	6.6	6.4	3.8
Trend employment rate	54.2	57.9	63.7	65.8
Trend participation rate	63.3	65.2	68.2	69.8
Structural unemployment rate (NAIRU)	14.4	11.1	6.6	5.7

Source: Estimates based on *OECD Economic Outlook*, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).
2. Excluding Austria and Luxembourg.
3. 2002 for Japan and the EU15. EU15 excluding Luxembourg and Sweden.

Source: Charts A and B: *National Accounts of OECD Countries*, 2004; *OECD Labour Force Statistics*, 2004; *OECD Economic Outlook*, No. 76; Chart C: *OECD Energy Prices and Taxes*, 2004; Chart D: *OECD Labour Force Statistics*, 2004.